EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Φ D 8523A

BRITISH INDUSTRY
Why 1990 is not 1979
Page 18

World News

Rwanda asks Belgium to send urgent military aid

Belgium said it was considering an urgent plea from its former colony, Rwanda, for military help to fight rebels who have advanced to within 70km of the capital from neighbouring Uganda.

The rebels were described as members of the minority Tutsi tribe, who ruled the country before independence in 1962.

Contras take town
About 200 right-wing, ex-Contra rebels, angry at the government's failure to provide a resettlement package, captured a northern Nicaraguan town and took control of a key road. Page 8

Soviet famine threat
The Soviet Union faces famine and a disastrous production slump next year, warn four senior state planning committee specialists in an open letter to the Soviet parliament. Page 2

German unity plea
Germany must act as a pivot of democracy for the whole of Europe, President Richard von Weizsäcker declared as the country celebrated unity. Page 20; Germany unites, Page 3; Book Review, Page 18

IRA suspects held
Two men suspected of carrying out IRA terrorist bombings on the UK mainland were arrested in the car park of the Stonehenge monument, southern England.

Bulgarian N-warning
Workers at Bulgaria's only nuclear power station warned that a reactor under construction is riddled with safety problems and could explode if started up. "We don't want another Chernobyl," they said in an open letter.

Greek smog danger
Greece barred private cars from downtown Athens for five hours and advised the sick and elderly to stay home as smog conditions reached dangerously high levels.

Noriega charged
Panama charged deposed dictator Manuel Noriega with ordering the 1985 murder of a fierce government critic, whose gruesome death sparked the first protests against him. Page 8

Bhutto defiant
Ms Benazir Bhutto, Pakistan's ousted prime minister, vowed to get rid of the president of Pakistan if she wins a special parliamentary election. Page 6

Monaco royal dies
Stefano Casiraghi, husband of Princess Caroline, was killed after his speedboat flipped in a world championship race.

25 die in bus crash
A coach plunged off a viaduct in pouring rain in northern Italy, killing at least 25 elderly Italians on an outing.

Hunger strike ends
The head of Armenia's Orthodox church persuaded four members of parliament to end a hunger strike over the disputed territory of Nagorno-Karabakh, the Soviet weekly Literary Gazette said.

FT wins national design award
THE FINANCIAL TIMES has been named Britain's best designed national daily newspaper in the 1990 Linotype National Design Awards. Page 9

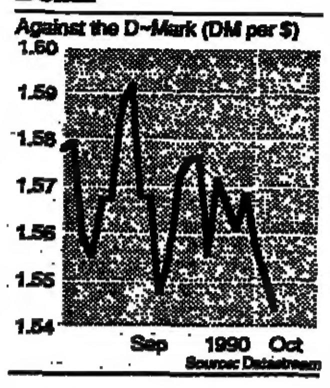
Linotype NDA

Business Summary

US budget deal likely to be approved by Congress

The outcome may be close, but the odds are that the US budget package will overcome its first congressional hurdle and be approved in principle later today following an intensive lobbying effort by President George Bush and his top officials. Page 20

Dollar
Against the D-Mark (DM per $)



Source: Datastream

On foreign exchange markets, the dollar weakened and prices of US government bonds rose. At the London close, the dollar finished at DM1.544 compared with DM1.555 on Tuesday, and at Y136.1 against Y136.9. The dollar also closed lower in New York, finishing at DM1.5423 and Y136.08 in quiet trading. Currencies, Page 38

NEWS Corporation, Rupert Murdoch's media group, plans to move to 24-hour publishing in Australia's two biggest cities to stem losses incurred by its evening newspapers. The move means the end of independent publication of the evening Daily Mirror in Sydney and the Melbourne Herald. Page 21

KINETICA, gas marketing company owned jointly by PowerGen and Conoco of the US, signed what is believed to be the single largest gas deal for the UK industrial market. Page 20

MTM, UK specialist chemicals manufacturer, is to buy Hardwicke Chemical Company of the US from Ethyl Corporation for $112m. Page 21

SOCIETE Générale, French private bank, reported 17 per cent drop in first half net profits, confirming anxieties over a downturn in profitability of French banking. Page 22

BANK of Scotland produced a 9 per cent increase in interim profits before tax in the six months to August 31, reflecting more buoyant business conditions in the north of the UK. Page 10; Lex, Page 20

BRITISH Rail expects its UK property sales to be £120m ($225m) below forecast this year, which will entail it raising at least an extra £100m by next March. Page 10

SAFEWAY Stores, Californian supermarket chain, reported strong growth in third-quarter net income at $20.8m, thanks to improved gross margins and sales gains. Page 23

SEALINK Stena Line, ferry company formed when Stena Line of Sweden took over Sealink British Ferries, is proposing to cut 849 jobs in the next 18 months to improve its performance. Page 21

TRADE: US Commerce Department has intensified demands that Japan overhaul bidding procedures for construction projects. Page 5

FIAT Group is expected to signal an important change in its strategic priorities today based on surrendering control of selling Telettra, its telecommunications subsidiary. Page 21

HARRISONS & Crosfield, UK conglomerate that has diversified away from plantations and into chemicals, building supplies and food, increased pre-tax half year profit by 2 per cent to £57.5m. Page 29

Greenspan endorses budget plan to cut federal deficit

By Peter Riddell, US Editor, in Washington

THE US budget agreement to cut the federal deficit was yesterday endorsed as "credible" by Mr Alan Greenspan, chairman of the Federal Reserve, raising hopes of a cut in interest rates if Congress approves the $500bn five-year package later this month.

Mr Greenspan's comments, to a congressional committee, contributed to a weakening in the dollar on foreign exchange markets and pushed up prices of US government bonds. He gave no indication of when and by how much short-term interest rates might be reduced, though the Fed, whose policymaking Open Market Committee met on Tuesday, is expected to be cautious because of continuing fears about rising inflation.

Ahead of key (and probably close) votes in the House and Senate later today, Mr Greenspan warned that "failure to enact the agreement would produce an adverse reaction in financial markets that could undercut our economy – already significantly weakened by the shock of the Middle East crisis and problems in our financial system". He said rejection would be "a grave mistake".

Similarly, President George Bush warned that the Congress would be "courting disaster" if the package was not passed. Mr Bush yesterday continued intensive lobbying efforts, postponing a planned campaign trip, in the hope of winning over sufficient Republicans critical of the proposed tax increases.

In an effort to step up pressure, a White House spokesman said the administration did not at present have enough votes in the House of Representatives to pass the plan. The Democrats, who control the House, are unlikely to back the package unless a majority of Republicans do so. The general expectation is that the broad targets of the agreement will be approved today.

Mr Greenspan suggested that the package fulfilled his preconditions for acceptability. He said: "The budget summit has crafted what appears to be a credible enforceable reduction in the budget deficit stretching over a number of years." He noted that, if enacted, the package should lessen pressures in credit markets and enhance investment.

"Reflecting these favourable prospects, the initial reaction of financial markets has been quite positive, though perhaps restrained by criticism that seemed to make prospects for enactment less certain." While expressing some doubts about the mix of the package, he suspected that the process "probably has unearthed the maximum cut in the deficit feasible at this time, with about the only mix possible, given the political context."

Asked if reducing the deficit would have a downward effect on interest rates, he replied, "most certainly."

Mr Paul Volcker, Mr Greenspan's predecessor as Fed chairman, described the package as "a positive step" which ought to be passed.

Mr Nicholas Brady, the US treasury secretary, said the agreement should sustain investors' confidence in the US. He noted that in the last year or so foreigners were buying only 15 per cent of US government debt issues, down from roughly a third. "So we're on notice in a gentle, sloping way that the rest of the world is no longer going to fund the deficits that we come up with each year."

Karen Zagor adds from New York: The bond market reacted mutedly to Mr Greenspan's comments yesterday, reflecting market sentiment that the Fed will not ease monetary policy until the budget accord is approved by Congress.

Bush onslaught on Congress, Page 8; Currencies, Page 38; Market reports, Back page, Section 2

Soviets send top envoy to Iraq in fresh bid for peace

By Leyla Boulton in Moscow and Ian Davidson in Paris

SOVIET President Mikhail Gorbachev sent a senior envoy to the Middle East yesterday in a fresh initiative to avert conflict in the Gulf.

It is the first public visit to Iraq by a top-level negotiator from one of the five permanent members of the United Nations Security Council since the invasion of Kuwait two months ago.

Mr Evgeny Primakov, a member of Mr Gorbachev's Presidential Council, arrived in Amman on the first leg of a trip due to take him to Baghdad today.

His visit comes a day after President Saddam Hussein flew to Kuwait, his first known trip to the emirate since his army overran it on August 2. The official Iraqi News Agency said the president toured Kuwait City yesterday, reviewed troops and held meetings with military commanders.

Soviet officials declined to give details of the mission other than to stress Moscow's desire to see a political settlement to the problems created by Iraq's invasion.

The Soviet Union has been co-ordinating its position closely with the US, and this was underscored again yesterday by their two foreign ministers, Mr Eduard Schevardnadze and Mr James Baker, meeting in New York.

Mr Primakov told a Soviet newspaper that the Gulf constituted "a unique laboratory" for the two superpowers to test their new-found solidarity on regional issues and efforts to create a "new world order."

The previous attempt to find a solution within the framework of UN resolutions calling for a complete Iraqi withdrawal was the abortive mission of Mr Javier Pérez de Cuéllar, UN secretary-general, at the end of August.

Separately, nine French hostages arrived in Jordan after being released by Iraq on humanitarian grounds while President François Mitterrand of France arrived in Abu Dhabi at the start of a two-day visit.

Yesterday, the French Government again firmly rejected suggestions, prompted by Mr Mitterrand's slightly more conciliatory speech to the UN General Assembly last week, that Paris was backing away from the terms of UN resolutions in search of a soft diplomatic solution.

In Amman, Mr Primakov handed King Hussein of Jordan a letter from Mr Gorbachev. Moscow is keen to exploit what it calls the "Arab factor," calling for a Middle East peace conference on Palestine and Lebanon as a means of defusing the Gulf crisis.

General Mikhail Moiseyev, the Soviet chief of staff, predicted that economic and political sanctions as well as desertions from the Iraqi army would push Mr Saddam Hussein towards a peaceful solution. The general, on a tour of the US, was quoted as saying that the Iraqi leader was "in economic and political isolation and he can't survive very long that way."

The Soviets are immediately concerned about 5,174 citizens still in Iraq. Exit permits for 870 oil workers in southern Iraq and 372 builders a thermal power plant near Baghdad have been withheld, the Soviet Foreign Ministry said.


François Mitterrand leaves for the Gulf yesterday

Mr Gilles Munier, one of the Frenchmen involved in negotiating the release of nine fellow countrymen from Iraq, where they had been part of Mr Saddam's "human shield" against potential attack, said yesterday: The Iraqis are willing to consider releasing all French hostages if a top official from the government or the opposition goes to Iraq."

In another diplomatic development, a Moroccan envoy just returned from Baghdad hinted yesterday that negotiations were possible with Iraq. Mr Youssef Ben Abbes, Moroccan ambassador to France, said: "The annexation of Kuwait can be discussed and negotiated." Iraq sought "a better access to the sea, joint oil exploitation and cancellation of debt".

UK petrol prices cut, other Gulf reports, Page 4

Polly Peck plans to halve £850m debt burden

By David Barchard, Alan Friedman, Clay Harris and Richard Waters in London

MR ASIL NADIR, chairman of the troubled Polly Peck International, said yesterday that the company would on Friday present its UK bank creditors with a comprehensive package of measures aimed at halving its £850m ($1.6bn) debt burden.

Mr Nadir told the Financial Times: "I am confident that the banks will agree to roll over our short-term debt when they see our programme."

He confirmed that Polly Peck had stopped all payments to bank creditors before Friday's critical meeting with its banks which will play a key role in determining whether the troubled fruit, consumer electronics and leisure company survives in its present form.

The company failed to repay a £40m line of credit last Friday when it learned that cash it had hoped to remit from northern Cyprus would not be available.

It has also become clear that "liquidity problems" which Polly Peck acknowledged in a statement on Monday night began long before its shares were suspended on September 20.

The cash shortage has now reached the point, however, that Polly Peck has decided not to pay any money to unsecured lenders before tomorrow's meeting. It wants to avoid having shown preference to any of them if it did end up being placed in administration or another form of liquidation.

Its aim tomorrow will be to convince Standard Chartered, co-ordinator of the company's bank creditors and other institutions, that they should roll over £117m of short-term loans in the expectation that further funds will be raised before the end of the year.

Mr Nadir said Polly Peck planned to pursue a series of restructuring measures, including some asset disposals.

"The company will go ahead with its programme of de-gearing which was already in place before recent events, and I would like to get the gearing ratio down to 20 to 30 per cent."

Mr Nadir said that First Boston, the New York investment bank, had been retained to advise on plans to restructure Polly Peck's Del Monte fresh fruit subsidiary and raise several hundred million dollars by offering a minority stake in Del Monte on the New York Stock Exchange.

The Del Monte share issue plan is to be presented to creditors as evidence of the company's ability to ride out its current liquidity problem. However, Mr Nadir confirmed that no filings had yet been made with the US Securities and Exchange Commission, and that any flotation of Del Monte was four to five months away.

Speaking in his office at Polly Peck's London headquarters, Mr Nadir said that Kidder Peabody, the Wall Street investment firm, had also been retained to advise Polly Peck on its financial strategy.

Polly Peck acquired Del Continued on Page 20

Payment seized by bank, Page 27

GM and other groups seek to make cars in Czechoslovakia

By Kevin Done, Motor Industry Correspondent, in Paris

GENERAL MOTORS of the US, the world's biggest vehicle maker, is negotiating to build cars in Czechoslovakia as part of an ambitious strategy in eastern Europe.

However, it faces competition from several other western groups. Czechoslovakia is viewed by western car-makers as one of the most promising locations in eastern Europe.

Volkswagen of West Germany and Renault/Volvo, the recently formed Franco/Swedish alliance, have submitted bids in recent days to take substantial equity stakes in Skoda, the established Czechoslovak car maker.

GM has already announced plans to begin car assembly and engine production in Hungary, and is expected to decide soon to press ahead with a significant investment in Eisenach in former East Germany to build an assembly plant producing 150,000 cars a year.

Mr Robert Eaton, president of GM Europe, disclosed at the Paris Motor Show that the company was considering car production in Czechoslovakia in a joint venture with BAZ, the Bratislava automotive works.

GM is already seeking to establish a joint venture plant in Czechoslovakia – most probably with BAZ – to make up to 250,000 car gearboxes a year, but Mr Eaton said that an earlier plan to assemble light commercial vehicles was no longer a short-term priority.

The company said earlier this year that it would begin small volume car assembly in Eisenach from SKD (semi-knocked down) kits supplied by its western Europe plants, and Mr Eaton said yesterday that the first Opel Vectra would roll off the assembly line in Eisenach on Friday.

Production would be at a rate of 10,000 cars a year.

The next stage of GM's investment in Eisenach, where Wartburg cars are currently produced, could total DM500-DM750m ($318m-$477m) and would involve a car plant with body welding, paintshop and final assembly operations. Most sheet metal stampings are expected to be supplied from western Europe plants.

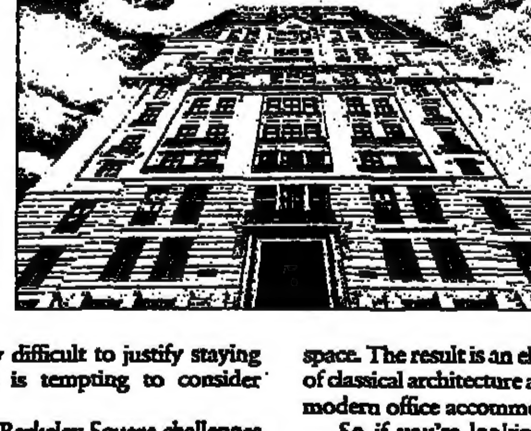
Mr Eaton said GM was considering assembling the Opel Kadett in Eisenach and possibly a second car range. It is understood that this is most likely to be the Opel Corsa small car.

If GM approves the Eisenach investment, Mr Eaton said that production would begin in 1993. It was intended that the plant would be a wholly owned GM venture led by Opel, GM's German subsidiary, without a local partner.

● GM is to acquire a 75 per cent stake in Diavia and Aura, Italian makers of automotive air conditioning units, in a deal worth $67m. It is buying out the stake currently held by United Technologies of the US.

Air conditioners are seen as an important growth market for automotive components suppliers in western Europe in the coming decade. At present only around 10 per cent of cars in western Europe are fitted with air conditioners but GM expects this to grow to 25 per cent in the next five years. Page 22

The chairman said, "Give me one good reason for staying in London."



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Eastern Europe bedevilled by surfeit of would-be advisers

"People could not afford once more to put their fates into the hands of irresponsible intellectuals": Vaclav Klaus, Czechoslovakia's go-ahead finance minister, abhors partial reform and faulty political decisions Page 19

MARKETS

STERLING
New York close
$1.899 (1.893)
London:
$1.90 (1.8885)
DM2.9325 (2.9375)
FFr9.8275 (9.84)
SFr2.4425 (2.44)
Y258.5 (258.5)
£ Index 93.5 (93.5)

GOLD
New York: Comex Dec
$398.5 (393.9)
London:
$390.5 (388.75)

N SEA OIL (Argus)
Brent 15-day Nov
$35.1 (35.2)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.543 (1.54985)
FFr5.1725 (5.192)
SFr1.2845 (1.28)
Y136.2 (136.73)
London:
DM1.543 (1.555)
FFr5.1725 (5.21)
SFr1.2845 (1.292)
Y136.2 (136.9)
$ Index (62.5)
Tokyo close: Y136.65

US closing rates
Fed Funds 9% ($8\frac{1}{4}$)
3-mo Treasury Bills:
yield: 7.36% (7.39)
Long Bond:
$99\frac{5}{32}$ (99)
yield: 8.82% (8.82)

STOCK INDICES
FT-SE 100:
2,087.0 (+28.5)
FT Ordinary:
1,619.0 (+24.3)
FT-A All-Share:
1,002.28 (+1.2%)
New York close
DJ Ind. Av.
2,521.04 (+15.84)
S&P Comp
315.79 (+0.58)
Tokyo: Nikkei
22,849.39 (-49.02)

LONDON MONEY
3-month interbank:
closing $14\frac{11}{16}$% ($14\frac{29}{32}$)
Liffe long gilt future:
Dec $83\frac{3}{32}$ (83)

Commission urges need to improve standards system

By Lucy Kellaway in Brussels

A NEW European industrial standard will have to be created every day if the EC is to meet its target for creating a single market by 1992, the Commission warned yesterday.

In a green paper (discussion document) on European standards, the Commission complained that the length of time it takes to develop a standard – about three years – is still far too slow, and said that absolute priority had to be given to the area in order to quicken the pace.

It called on the private sector to become more involved, arguing that at present many companies are not aware of the important role that standards play in the European market.

Standards are necessary for the completion of the single market as goods built in accordance with those standards can automatically be sold anywhere in the community.

To date they have been the most neglected part of the 1992 programme; although member states have greatly speeded up the passage of technical directives setting minimum safety levels, the experts which set the standards – which explain how those safety levels are met – have continued to work slowly.

Even though progress has speeded up recently, it is still not fast enough. By 1983 only 56 standards had been agreed, whereas by the end of 1989 the number increased to 870.

At the moment European standards are drawn up by a association largely made up of representatives from national standard bodies.

The document calls for faster methods of work by these standard setters with less rigid limits on people and a greater budget than at present.

It argues for closer links with other European countries that are not presently members of the EC, but which are likely to join in the future.

The green paper recommends that for now better links should be established between national standard bodies, but eventually envisages a new organisation for setting European standards in which industries would have a larger say.

The paper does not recommend that the transition should be immediate. Although many experts feel that drastic and instant change is needed to break the bottleneck, many member states had argued that wholesale changes to the system before 1992 would slow matters down further.

The Commission plans to produce its ideas for a new system of European standards early next year.

Construction scandal raises fears of Mafia in Milan

By John Wyles in Rome

MILAN, commercial jewel of the Italian north, is struggling to protect the vestiges of its claim to be "moral capital of Italy" as another construction scandal focuses public attention on possible Mafia penetration of its political and business life.

In the view of many professional observers, the Mafia now plays an important part in Milanese business, including the city's stock market.

"Organised crime is a business like any other which finds the opportunity in Milan to invest and to recycle illegal money. The stock market itself is open to such activities," said the state's chief prosector in Milan, Mr Adolfo Beria d'Argentine, earlier this year. He called for a special drive against the Mafia, comparable to that made a decade or more ago against terrorism.

The latest scandal has broken at a time when public concern in Italy about Mafia activities is touching one of its periodic peaks. The fact that certain members of the present government are suspected of links with organised crime, that the anti-Mafia battle in Sicily appears to have been stalled for extremely obscure political and organisational reasons and that Mafia gunmen can still kill a magistrate at will, as they did recently in the Agrigento region of Sicily - these have all conspired to support the conclusion that there are very few effective antibodies to the Mafia virus.

The Milan city council decided this week against launching any inquiry into allegations that a 31-year-old Sicilian constructor, a relative of known Mafia bosses, had paid bribes to a councillor in support of a quest for building permits. Newspaper leaks of the magistrates' dossier show that an official telephone tap on Mr Antonino Carollo captured him claiming that he had paid L200m (£90,530) to the councillor responsible for urban construction, Mr Attilio Schemmari, and that he also had easy access to the Socialist Mayor, Mr Paolo Pillitteri.

Both men have launched court actions to defend their name against the allegations and Mr Schemmari has also suspended two senior officials in his department on the grounds that they might "tamper with the evidence."

Meanwhile, an editorial in the newspaper Corriere della Serra yesterday said that the magistrates did not seem to be in a hurry to get to the bottom of the affair.

Italy's second city has been repeatedly shaken in recent years by allegations of bribery and corruption over building contracts.

One of its largest and most controversial constructors, the Sicilian Salvatore Ligresti, who controls three publicly quoted companies, is currently appealing against prison sentences handed down after land and construction deals which raised embarrassing questions about his relations with some Milanese politicians and administrators.

But the Carollo case carries with it both a stronger "odour of Mafia" than many previous scandals and the inevitably supporting impression that the afflictions of Naples and Sicily have now moved solidly north.

Concern on Yugoslav spending rise

By Laura Silber in Belgrade

YUGOSLAVIA'S federal economic stabilisation programme is being undermined by a growth in personal and public spending, as the administrations of the the six republics pursue unco-ordinated economic policies against central government directives, according to senior federal government figures.

"The uncontrolled growth in personal income and of spending over the past months threatens the stand-by arrangement with the International Monetary Fund and the entire anti-inflation and stabilisation programme," said Mr Branimir Zekan, Federal Secretary for Finance.

He questioned Yugoslavia's ability to meet next quarter's 1.5 per cent inflation rate target. The cost of living in September increased by 7.6 per cent, compared with 2 per cent the previous month. The annual figure for last year was more than 2,000 per cent

Under Prime Minister Ante Markovic, inflation has been cut, the dinar was made convertible last January and currency reserves are expected to reach $10bn by the end of the year. Those reserves, however, have not been invested in industry, and production levels are falling.

The country's precarious economic stability hinges on strict adherence to federal laws by all the republics. However, some republics are defying the central government by granting pay rises in excess of inflation, while others are increasing the price of petrol in others.

THE CHAIRMAN of the Supreme Soviet, Mr Anatoly Lukyanov, pictured yesterday struggling to keep order during a stormy debate over a proposed new law on public organisations – the legal basis for a multi-party system in the Soviet Union. Civilian and military deputies disagreed over whether to allow Communist party organisations to continue in the army, police and the KGB state security organisation.

Soviet planners warn of famine

By Quentin Peel in Moscow

THE CENTRAL planning and supply system in the Soviet Union has already virtually collapsed, and the country faces a disastrous slump in production next year, according to an open letter to the Soviet parliament.

In a furious attack on the transition to a market economy, four senior specialists in Gosplan, the state planning committee, warn that the country faces famine and mass epidemics, as well as a slump in production of anything from 30 to 70 per cent, because of the disintegration of the old economic system.

The open letter, published in full on the front page of Sovietskaya Rossiya, the official newspaper of the Russian Communist Party, says that it is already too late for industrial enterprises to conclude their necessary supply and delivery contracts for 1991.

It calls for the declaration of a state of emergency for supplies of both food and consumer goods, to provide people with basic "life insurance".

The planners say that in the entire engineering industry, enterprises had only concluded between 5 and 8 per cent of their necessary supply contracts by August, when normally they should have finished the entire process by September.

Without emergency imposition of new supply contracts by the central government, they say, "the economic crisis will become irreversible. The fall in production in all spheres of the economy will grow progressively worse.

"In the first half of the year, this decrease may reach 30-40 per cent, and in some cases, 50-70 per cent. Many plants will come to a standstill and go bankrupt. Workers will not get their wages and entire work collectives be made redundant."

They refer to 1991 – the key transition year to a market system according to all the economic reform plans now before the government – as the "period of destabilisation," and warn that food supplies between republics will only be available in barter trade.

Publication of the letter comes at a key moment in the economic debate, with President Mikhail Gorbachev drafting final details of a single plan for transition to a market economy.

EC acts to close bank supervision loophole

By Lucy Kellaway in Brussels

THE European Commission yesterday came out with a proposal for a new directive to further tighten and harmonise banking supervision in the EC.

The proposals would mean better protection for depositors and would give banking supervisors in member states a better view of the solvency of banks that are a part of conglomerates, the Commission said.

Under the existing 1983 directive on banking supervision, any bank not owned by a credit institution is not subjected to consolidated supervision.

This has created a large loophole in the system of regulation, meaning that banks with complicated parent company structures can escape the rigours of supervision on a consolidated basis.

This is a conservative technique that lumps all the activities of a banking group together, regardless of any separate legal companies set up within the group.

Under the proposed directive, banks owned by financial holding companies – ie a company whose subsidiaries' main activity is banking – would be treated just like banks.

The measure would also mean that general conglomerates which are not financial holding companies, but which own banks, will be obliged to provide any information on request to the regulatory authorities.

The Commission emphasised yesterday that the point of the directive was not to set the regulatory rules for financial conglomerates – for example banks and insurance groups – but to ensure that banks which belonged to a group were not getting away with lighter supervision than those on their own.

Brussels sets deadline on observing competition rules

By Lucy Kellaway

THE European Commission said yesterday that the former East Germany would have three months to comply with some of its harshest rules on competition.

Any companies that have established restrictive agreements which break article 85(1) of the Treaty of Rome would have until the beginning of January 1991 to bring the agreements within Community law.

The forgiveness period will mean that many German companies, which have struck up anti-competitive deals in the east that would have been breaking EC law as from yesterday, will be given a chance to change the arrangements.

Article 85(1) applies to any kind of agreement on price fixing or production sharing, or any other deal that might put third parties at a competitive disadvantage. However, the Commission stressed yesterday that other parts of competition law would apply from now on in all parts of Germany.

Any large German companies announcing mergers will fall under the new EC regulation, and will be obliged to notify Brussels.

The Commission has been keen to ensure that the unified Germany complies with EC competition rules as quickly as possible.

However, many officials are concerned that the strains of transferring from a managed to a free market economy will mean that many German practices will be illegal under EC rules. The Commission is also worried at the number of former West German companies taking over eastern their East German counterparts.

Trade waiver sought, Page 5

Serb rebels shoot Croat policemen

By Laura Silber

TWO CROAT policemen were shot by Serb militants late on Tuesday night in the continuing conflict between Yugoslavia's two largest ethnic group.

They were shot and wounded when they refused to hand over their weapons after being stopped at a roadblock in the town of Vrbnik near Knin.

Croatia radio reported that other Serbs used "Molotov cocktails" to firebomb several Croat-owned shops in Knin.

Serbs, who comprise about 11 per cent of Croatia's 4.5m population, have staged an uprising against the Croatian Democratic Union, the republic's ruling party, which came to power in free elections last April.

A self-appointed parliament, claiming to represent Croatia's 600,000 Serbs, this week proclaimed Serbian autonomy in Croatia, Yugoslavia's second biggest republic.

Serb activists have threatened to secede if Croatia gains more independence within the shaky Yugoslav federation.

The eight-member collective Yugoslav state presidency failed to find a solution to the crisis on Tuesday, after a 14-hour emergency session.

Airlines fly more people, profit little

By Paul Abrahams

A 10 PER CENT increase in the number of passengers on international scheduled flights, operated by the 21 members of the Association of European Airlines during August, was described as profitless yesterday.

The AEA said that airlines' cost bases have increased over the last 12 months eroding already thin margins and reducing revenue yields.

The crisis in the Gulf, affecting fuel prices, and insurance premiums was described as the latest – and most serious – in a series of inflationary pressures.

Although the depreciation of the dollar had to some extent softened the effect of expensive fuel, the association said, it had also reduced the value of dollar earnings during the peak transatlantic travel season.

The weakened yen had also devalued Japanese-originating income.

The AEA warned that as fuel increased as a proportion of the airlines' overall expenses, so the impact of further developments would become more severe.

Largest increases in traffic were on European and North American routes. Predictably, Middle Eastern traffic was down, although losses on Gulf routes were counterbalanced by gains on services to Israel.

● Delays exceeding 15 minutes affected 21.1 per cent of scheduled departures on European services in August, according to the AEA. This compared with July's 25.9 per cent, and 21.3 per cent for August last year

International issues pass by Austrian election campaign

By Judy Dempsey in Vienna

AUSTRIA'S Socialist Chancellor, Mr Franz Vranitzky, yesterday welcomed German unity in a nation-wide radio broadcast. But his measured words failed to stir the public's interest in this historic event.

Indeed, the Austrian public, which votes in a general election on Sunday, appears reluctant to become interested in any events outside its immediate ken.

"In this election campaign, there is a big difference between the public issues: corruption and scandals; and the private issues: the economy, environment, foreign policy," the Chancellor said yesterday in an interview with the Financial Times.

This reluctance by the public to be interested, not only in German unity, but in the Gulf crisis, and nearer to home, in eastern Europe and the Soviet Union, is confirmed in the election campaign.

"Is is petty and boring. People's horizons are narrow. Indeed, despite all the changes at our door, I think the public have become even more inward-looking," was how one senior banker described it.

Despite the concentration on scandals and corruption which are a regular feature of Austrian life, and in the campaign itself, the Chancellor has set his sights on tackling four issues if his Socialist-led government is returned. These include:

● The environment. Mr Ferdinand Lacina, the Finance Minister, has drawn up a plan aimed at penalising environmentally-polluting enterprises.

Chancellor Franz Vranitzky: He is setting his sights on four main targets

● Tighter monetary and fiscal measures must be applied with the aim of consolidating and reducing the budget deficit to the goal of 2.5 per cent of gross domestic product by 1992.

Strict monetary policies were postponed following revenue gained from privatisation, tax reform, which increased public consumption, and higher-than-expected growth rates. But the consensus among economists is that the state pension fund (which has a deficit of Sch54bn (£2.7bn)), the railways (which require a Sch24bn subsidy from the federal budget), and the gargantuan civil service (accounting for nearly a third of the Sch549bn earmarked for total public expenditure), must be tackled by the next administration.

● Privatisation, which was first introduced in the autumn of 1987, will continue apace. The law whereby the republic retains a 51 per cent stake in either industry or banks will be reduced. However, the republic will introduce safeguards so that banks will remain in Austrian hands.

● Foreign policy. Mr Vranitzky believes the Government will continue the visa requirements for Polish, Romanian, Bulgarian and Soviet citizens on the grounds that those entering Austria are seeking quick and illegal economic gains.

Furthermore, The Chancellor appeals to European governments to help the countries of eastern Europe restructure their economies and adopt immigration policies if these new democratic governments are to build on the peaceful revolutions of 1989.

"I think our expectations are far too high given the tasks facing the Soviet Union and eastern Europe. Mr Stanislav Shatalin [Mr Gorbachev's close economic adviser] raised this very point when I met him here in my office two weeks ago," said Mr Vranitzky.

The Chancellor feels that not enough concrete support is forthcoming from the international community. And although the federal government has already established, and backed, an east-west fund to the tune of Sch5m, he is not even certain that the Austrian public itself is interested in the fate of eastern Europe.

MEPs told to leave riot enclave

A Soviet army commander yesterday expelled a European Parliament delegation from the riot-torn enclave of Nagorno-Karabakh, according to Tass news agency, Reuter reports from Moscow.

Mr Henri Sabi, French leader of the delegation, said they were ordered out by the Soviet military commandant just after they arrived at the airport and were sent back to Yerevan, the Armenian capital.

The enclave is the centre of a territorial feud between Armenia and Azerbaijan and hundreds have died in clashes.

Soares to stand

Portugal's President Mario Soares ended months of speculation yesterday by announcing he would seek a second term in elections next January, AP reports from Lisbon. Mr Soares, 66, three-time prime minister, became his country's first freely elected civilian president in 60 years in 1986. Opinion polls show over 60 per cent of voters will back him.

Athens car ban

The Greek Government yesterday barred private cars from the centre of Athens for five hours and advised the sick and elderly to stay home as smog enshrouded the city, AP reports from Athens. Buses, taxis and delivery vehicles were exempt from the ban, which was aimed at containing record air pollution levels.

French speed limits

The French Government, alarmed by more than 11,800 deaths on the country's roads last year, announced lower speed limits in urban areas yesterday, Reuter reports from Paris. From December 1 the maximum speed limit in towns will be reduced to 50kph (31 mph) from 60kph (37mph).

Ireland peers at Europe through a rose-tinted telescope

Most ordinary people are in favour of the EC, but few have much idea what it's all about, writes Kieran Cooke

FOR A PERIOD earlier this year Ireland seemed to be very much at the centre of European and world affairs. Ireland held the European Community presidency during the first six months of 1990. Momentous changes were taking place in Europe. A Dublin summit on political union was deemed to have laid the basis for a new order in Europe.

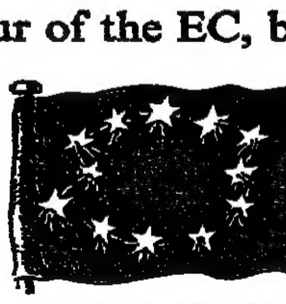
But the focus was quickly lost. Ireland has once again been edged out of the mainstream on to the periphery of Europe. Nothing exemplifies this more than its position within the EC in the course of the present Gulf crisis. Ireland's strict policy of neutrality is unique in the Community. Had events in the Gulf happened during Ireland's presidency, Dublin would have found itself in the near impossible position, as a neutral country, of being EC spokesman on the crisis.

There has been little debate in Ireland on the country's position in a Europe of changing military alliances. Mr Charles Haughey, the Prime Minister, has limited himself to vague statements about Ireland reviewing its policies "within the context of the CSCE process".

Neutrality and Irish sovereignty are still highly charged issues. In 1987 a referendum had to be held before Ireland agreed to the terms of the Single European Act. Critics had argued that the act, by binding Community states closer on foreign policy, threatened to compromise Irish neutrality.

There can be little doubt, however, that the Irish remain firmly in favour of the EC. Successive polls indicate that the public broadly agrees with present Community developments and is optimistic about the post-1992 outlook.

The country has benefited considerably from the financial assistance it has received from Brussels since it joined the Community in 1972. Up to 1988, Ireland had received Ir8.7bn (£8bn) from various EC funds while contributing Ir1.6bn to the Brussels coffers.



SOVEREIGNTY

In the 1989-93 period Ireland will receive a further Ir2.86bn from the EC in the form of structural funds. This money is to be used for updating infrastructure in what is described as "the biggest development plan in the history of the Irish state." The Government has boasted that Ireland's share of structural funds exceeds that given to any other region in the less developed category of the EC.

By emphasising the financial benefits of EC membership successive Irish governments have tended to encourage attitudes of economic dependence on Brussels, particularly in the agricultural sector. Farmers and food processors still sell a disproportionate amount of their produce into EC intervention stockpiles. Of 50,000 tons of Community beef recently sold into intervention, more than 30,000 tons came from Ireland.

Now, as the EC seeks to cut back on at least some of the subsidies and subventions of the common agricultural policy, Irish agriculture – still a central part of the country's economy – faces a very tough time.

However, EC membership has served to lessen Irish dependence on the UK. A profound shift away from Britain and towards Europe came in 1979 when the punt, the Irish pound, broke its historic link with sterling to join the exchange rate mechanism of the European monetary system. The punt's value has since been stabilised, contributing to the growth of an Irish financial services sector and allowing an orderly growth in trade.

Ireland's trade, though still dominated by links with the UK (which accounts for more than 30 per cent of Irish exports), has become much more focused on continental Europe. Increasing numbers of young people are working on the Continent. Large Dutch and German engineering companies have been known to charter aircraft to fly out for interview complete classes of Irish university graduates.

Yet, on many levels Ireland has not aligned itself with EC policy. Its taxes are still well above the EC average and show little sign of being harmonised with the rest of the Community. Ireland has refused to abide by a judgment of the European court declaring illegal Dublin's "48 hour" customs rule designed to stop shoppers from the Republic going to Northern Ireland to take advantage of lower prices.

Perhaps the biggest problems are pyschological. Traditionally, Ireland has far closer ties with the US and the UK than with continental Europe. Some 45m Americans claim Irish ancestry. Many Irish people do not feel part of a greater European collective identity.

Ireland is the least cosmopolitan of EC countries. The level of language skills is even more abysmal than in the UK. The Government has not encouraged public discussion about Community developments. During the Irish EC presidency there was no debate in parliament about political union or the consequences for the Irish economy of full monetary union.

To many, Europe is something "over there." When the Channel tunnel is built, Ireland will be the only EC country without a direct connection to the European continent. The Government, by repeatedly stressing Ireland's peripherality in its applications for EC funding, has only contributed to an Irish feeling of being on the European sidelines.

Professor Gearoid O Tuathaigh of University College Galway says that the Irish are in the habit of congratulating themselves on being "good Europeans" without attempting to understand the changes taking place in Europe or redefining Ireland's role.

"When we are seen to be grappling seriously with these issues at home, then we can begin to take seriously some of the guff about our being good Europeans," he says. "We are nowhere near that position at the moment."

This is the penultimate article in a series on EC countries and Community institutions. Previous articles appeared on August 6, 9, 14, 20, 22, 29, September 5, 12, 19 and 27.

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GERMANY UNITES

People show lack of enthusiasm, but no hostility, as Unity Day arrives

Honecker's home town takes sober approach

THE unenthusiastic manner in which the town of Neunkirchen yesterday celebrated Unity Day might have provided some consolation to the town's most famous son, Mr Erich Honecker, the deposed East German leader.

Neunkirchen, an industrial town in Saarland on the south-western rim of what used to be West Germany, did not hang out the flags. Less than 0.5 per cent of the town's 50,000 people attended a brief Unity Day ceremony in the town centre and at its close only about a dozen pairs of lips moved during the German national anthem.

One old man, recalling the jubilation 35 years ago when the tiny state of Saarland was handed back from France to West Germany, thought it churlish of his fellow citizens not to make more effort to celebrate the Soviet Union's return of five much larger states. "Hardly anything happened last night, much less exciting than New Year," he said.

Lack of enthusiasm is not, however, the same as hostility. Mr Gerd Meiser, a local journalist, says that everyone "apart from a few Greens" welcomes unity. "But being so far from East Germany we are less emotionally involved than some people," he said. Saarland, bordering on France and Luxembourg, thinks of itself as a bridgehead into Europe and is less susceptible to nationalist emotions, he added.

Neunkirchen's sober approach to unity also has something to do with 10 per cent unemployment and the struggle to replace the shrinking coal mining industry on which the town was built.

The reaction is probably not unrepresentative of small-town West Germany, especially on the western flank. (Even at Bonn's well-attended but anti-climactic ceremony on Tuesday night an attempt to sing the national anthem at midnight was whistled down).

By David Goodhart in Neunkirchen

The "crowd" at the Neunkirchen ceremony certainly seemed representative.

On one side was a pale, long-haired youth carrying a banner saying "Never again Germany".

At the other end was a tougher-looking short-haired youth who was holding a furled German flag.

In between there were dozens of earnest local dignitaries and a mixed, but mainly elderly, sprinkling of residents.

The ceremony itself, with musical accompaniment from the town band, was dignified. Mr Friedrich Decker, the Social Democrat mayor, said there was cause for celebration but recalled how painful the re-integration of Saarland had been after 1955.

"We were only separated for 10 years and had belonged to a country with a similar economic and political structure. Think how much harder it will be for East Germany," he said.

He said unity would cost a lot and Neunkirchen would do its bit to carry the burden.

After the mayor, three girls from the Maximilien Kolbe high school talked about their hopes and fears for the new Germany, most of which centred on the environment. One of the girls, Farjana Haque, is a 16-year-old Bangladeshi who has been in Germany with her family for 10 years.

Her father, a lawyer by training, has still not found work, but Farjana seems well integrated.

Asked if she feared a bigger Germany might become less friendly to foreigners she said "no", although she had heard they were a bit xenophobic in East Germany. "We'll look after her if anyone tries anything," said her schoolfriend Petra Ruth.

One person not to be found at the ceremony was Mrs Gertrud Hoppstädter, Erich Honecker's sister, who lives in the old Honecker family home in the Neunkirchen suburb of Wiebelskirchen. Although clearly at home yesterday, she was not in the mood to talk to strangers about her feelings. They say locally she has refused a request from her ill brother to put him up.

The people of Neunkirchen probably wouldn't mind. "We always used to talk about Erich, in a jokey sort of way, as if he was one of us. Now we don't talk about him so much, but I think some people take pity on him," said Mr Meiser.

Anxiety stills the rejoicing in cradle of the revolution

IN THE cobbled churchyard of the Nikolaikirche all was still. No bells sounded. A group of bemused Leipzigers stood before the bolted door. "Today the church as on previous state holidays will remain closed," read the small white card pinned to the entrance.

Cradle of the peaceful East German revolution, the evangelical Protestant church sees no reason to celebrate. "I am horrified when I think of the days in history when the church bells have sounded," says Mr Christian Führer, the church's pastor. Wednesday, October 3, was for him, as for many Leipzigers, a time for quiet reflection.

Celebrations were best left to the Berliners, was the view of the more sober Saxons, inhabitants of what is now Germany's 10th largest town. Drawn on to the streets by the warm autumn sunshine – hazy only with acrid pollutants from the surrounding industry – families gazed contentedly from food stalls covering the many squares in the town's war-ravaged centre.

Only a modest flag adorns the front of the antiquated trams that rumble through the city – otherwise balloons advertising the new local paper are more in tune with Saxony's mood.

"We had wanted to celebrate last night but somehow couldn't bring ourselves to," said Mr Wolfgang Knape, a writer from Leipzig who stood with his three children and two western visitors in the churchyard. He recalls with some difficulty the "euphoria" a year ago as growing crowds of hopeful Leipzigers streamed from their Monday evening prayer service and on to the six-lane ring road. "We had an incredible strength then as the oppressive fear of the state gradually lifted. But that is now dissipated."

While petty bureaucrats fight whether to rename Karl Marx Platz after the old Saxon king Augustus, the circumstances prolonging what he describes as "our slow death" are ignored. Facing an uncertain future as his travel books lie forgotten with a struggling East Berlin publisher, Mr Knape regrets the bewildering speed of change. "We have been confronted with so much so quickly when we were already harmed enough. I am not sure everyone is automatically ready to exchange 10 years' wait acquiring a car for two years without a job."

His considerable anxieties about social unrest – "Germany was always prone to extremes" – were echoed in the half-empty streets of Leipzig on the eve of unification. Nervous restaurateurs bolted their doors. Police with riot shields stood in front of the Gewandhaus, Leipzig's famous concert hall but, as it turned out, with little purpose.

By Katharine Campbell in Leipzig

Meanwhile, in the absence of organised firework displays, a few individuals lit fire crackers at random. Indeed, a bomb threat to the Panorama restaurant perched on the 29th floor of the modern Karl Marx University building that dominates the Leipzig skyline, produced one of the few festive crowds of the evening. As the clientele emptied on to the square below, a stall selling sparkling white wine was mysteriously rolled from the shadows to instant custom.

Those that stayed off the streets were, however, by no means untouched by the occasion. "It brings me out in goose pimples," admits Mrs Helmtrude Gersöne . Both in their early 50s, she and her husband are recasting the family printing business on the strength of western computer technology and hefty western bank credit. She too recalls participating in last year's marches: "For me unification cannot come soon enough." And celebrations? "We are working today – we have customers we cannot disappoint," she replies.

Not all the Leipzigers can exhibit the same drive – the spark that will be necessary if Leipzig, in Goethe's day a "little Paris", is to recapture its former pride.

Mayor keeps a tight rein on civic emotion

"HAPPY Birthday Deutschland," said the banner held aloft in the centre of Munich by Andy Agler, a 20-year-old drama student.

With his girlfriend, Brigitte Weissenegger, he was doing his best – like hundreds of other young people – to make up for the curious absence of official fireworks and celebrations as the day of German unity, arrived.

By Andrew Fisher in Munich

No bells peeled from the twin onion-domed towers of Munich's cathedral, the Frauenkirche, when midnight sounded. People drinking in the historic tavern nearby wondered at the lack of civic emotion, which prompted the Social Democrat city council, headed by Mayor Georg Kronawitter, to keep festivities to a minimum.

The fear, of course, was that any celebrations would get out of hand and lead to violence. Thus the organisers of the raucous Oktoberfest beer festival, at which a record 6m visitors are expected this year, were not allowed to keep their vast beer tents open beyond midnight on Tuesday. There was plenty of drinking, singing and dancing, but it had nothing to do with unification.

Once midnight had passed, and Unity Day was in its first minutes, Mr Agler's generation showed what it felt about unification.

"At last we have one Germany," he shouted. He and others were disappointed at the lack of official celebrations. So was Mr Ingo Horn, a 24-year-old railway worker from Dresden, in what used to be East Germany. "I'm very moved. The whole thing is overwhelming. We've waited so long for this."

Around the main square, the Marienplatz, young men waved big flags with the black, red and gold of Germany. "Today, Germany is a symbol for the whole of Europe," said Mr Georg Wenzel, 25, an army officer in his civilian clothes. "If Germany can make unification work, then there is hope for the rest of Europe, east and west."

Mr Horn, who hopes to find work with Germany's western railway system, said some right-wing youths had tried to ignite nationalist sentiments by singing the first verse of "Deutschland Uber Alles," with its references to greater Germany and territories to the east, now lost. But others in the crowd had shouted them down with the third verse which starts with the words "unity and justice and freedom."

Another banner expressed the thanks of East Germans for the help of the west in attaining the overthrow of the old Stalinist regime. "Thank you" was written next to a picture of the crumbled Berlin Wall. "November 9, October 3, Freedom," it continued, the first date being that of the dramatic opening of the border less than a year ago.

Yesterday morning, under a brilliant sunny blue sky, when the new Germany was just 11 hours old, Mayor Kronawitter appeared. He made a a thoughtful, low-key speech in the Marienplatz, welcoming unification, paying tribute to Mr Mikhail Gorbachev, the Soviet leader, and warning that justified national emotions in Germany should not be allowed to turn into domineering arrogance. Then the third verse of the national anthem was sung.

Ashley Ashwood

The morning after the party: cleaning up the celebrations yesterday outside the Reichstag in Berlin

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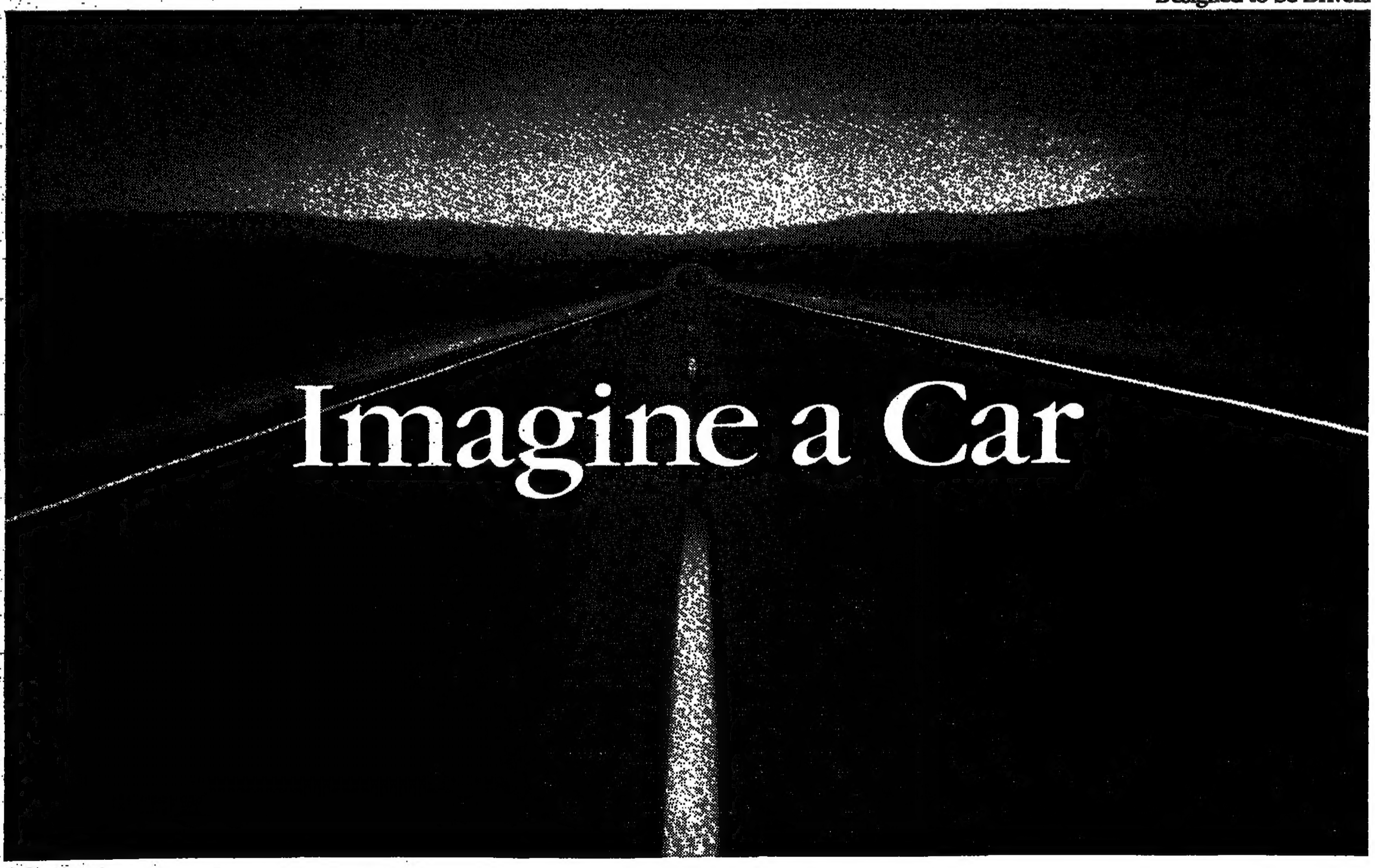

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Baker claims solid support at UN for use of force

By Peter Riddell, US Editor in Washington

THE US has found more backing than it expected from other countries for the possible use of military force against Iraq, *if it should become necessary*, Mr James Baker, the US secretary of state, has said.

Following a series of intensive discussions with foreign ministers of both allied and other countries in New York for the UN General Assembly, Mr Baker said he had raised the option of UN approved military force as well as other new non-military sanctions.

"I consider there's more of a willingness to consider some sort of an approach like that – if it became necessary, at the appropriate time – than we had anticipated there might be at this stage of the conflict," Mr Baker said.

He cautioned that views could change quickly and stressed that the strong preference of the US "would be to find a way to resolve this matter peacefully, politically and diplomatically".

Mr Baker said that no decisions had been taken "at the top levels of this government" to push now for an UN resolution specifically authorising the use of military force against Iraq. However, informal discussions have begun among the five permanent members of the UN Security *Council about such a resolution.*

General Mikhail Moiseyev, chief of the Soviet General Staff, has said during a visit to the US that economic sanctions against Iraq were working and no force should be used in the Gulf unless it was approved by the UN.

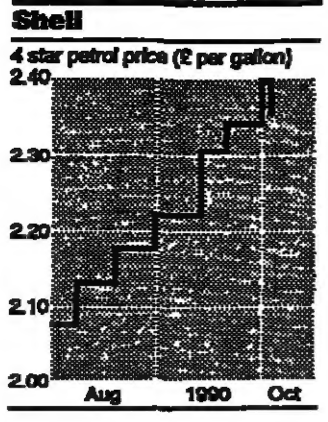
The general argued that the Iraqi leader was "finding himself in economic and political isolation and he can't survive very long that way".

US officials have underlined President Bush's claim that the references in his General Assembly speech on Monday to the opportunities presented for resolving the Arab/Israeli conflict did not represent a change of policy.

Officials noted that Mr Bush had stressed the prior need for Iraq's unconditional withdrawal from Kuwait.

They added that the President saw no linkage between that and wider moves to produce stability in the Middle East, including resolution of the Arab/Israeli disputes.

Britain's main oil companies cut petrol prices



BRITAIN's biggest oil companies last night cut petrol pump prices in a swift reaction to the price declines in the Rotterdam spot market this week, Steven Butler writes.

Shell shaved 4.1p off a gallon of four star unleaded at midnight, leaving prices at 235.5p. Unleaded prices fell to 221.9p.

Esso, Britain's biggest retailer, cut prices by 5p to a maximum of 235.5p, while Jet, the cut-price *brand, reduced* four-star to 234.6p a gallon.

The price reductions reflected the worldwide declines in crude oil and refined products on Monday and Tuesday, when conciliatory statements by Iraqi President Saddam Hussein and US President George Bush appeared to diminish, at least modestly, the threat of war. Oil prices have risen strongly over fears that an outbreak of war could disrupt oil exports from Saudi Arabia.

The Rotterdam spot market price for premium petrol declined from $446 a tonne last *Friday to $414.50 a tonne at the* close of trading on Tuesday. Petrol prices were modestly lower yesterday as well, although crude oil prices rose.

The rapid lowering of pump prices illustrated the extreme sensitivity of oil companies to charges that they are profiteering during the Gulf crisis. It is normal practice for oil companies to wait for about a week after changes in wholesale markets before adjusting retail prices. Shell put up its prices as recently as last Monday morning.

Although the Office of Fair Trade last week cleared the oil companies of charges that they were making excessive profits, the companies have yet to win the campaign with the petrol-buying public.

Mr Frank Dobson, Labour's shadow energy secretary, commenting on the price cut, said: "Not before time. *The world oil* price went down once and they did not reduce petrol prices. So we are looking for bigger cuts and what we really want is for the profiteering oil companies to cut the world price of oil."

■ Egypt followed the sharp fall in oil prices by yesterday ordering a $4 reduction in export prices to keep its crudes competitive, Reuter reports from Cairo.

The local benchmark Suez blend was set at $35 a barrel. Egypt exports about half its daily output of 870,000 barrels.

Lebanese traders admit to sanctions busting

By Lara Marlowe in Beirut

LEBANESE officials estimate that the Gulf crisis is costing the country $150m (£80m) in lost remittances and exports due to the trade embargo with Iraq. However, there's evidence that many local traders have not been put off by the trade ban and are finding their own routes around the embargo.

The Lebanese government was among the first to condemn Iraq's invasion of Kuwait and has endorsed UN sanctions. Yet it lacks the ability to control at least a dozen ports along the Lebanese coastline, most of which are illegally run by militia groups.

"Some of the local produce *has* to go to Iraq," says one local businessman. "There is nowhere else for us to sell it. The volume is important for Lebanon, but it is peanuts for Iraq."

Beirut traders have confirmed that the present shortage of potatoes, for instance, has been caused by the combination of legal exports to US forces in Saudia Arabia and individual violations of UN sanctions against Iraq.

The US military pays premium prices for potatoes; which are flown in from Beirut to its base in Dhahran. Shipments to Iraq, according to some traders, run a more circuitous route from Syria to Jordan, with some produce finding its way to northern Syria.

Many Sunni Muslims in northern Syria sympathise with Iraq. The Syrian government in August denied reports that there had been pro-Saddam riots in the region's city of Deirel-Zour.

There are also reports that truck loads of scrap rubber and concrete are being transported from the northern Lebanese city of Tripoli to the Lebanese-Syrian frontier near Homs and then on towards the Syrian-Iraqi border.

There are three cement factories at Chekka, just south of Tripoli. The Syrians deny that there has been any breach of sanctions in their country, but Lebanese businessmen claim that Syrian border guards are easily bribed to let shipments through.

Beirut merchants say they have been approached to send tea, sugar, powdered milk, rice and tinned goods to Iraq. One wholesaler in Beirut was asked to send produce in a container to the Shia Muslim suburb Ouzai, from where, he understood, it would be taken by road to Iraq via Damascus and Amman.

"The man who called me was a Lebanese from London," the wholesaler said. "He said I could make a lot of money, but he was in a big hurry. I'm waiting to hear from him again. If I don't sell it, someone else will."

A leading Beirut banker said that all letters of credit on behalf of Iraqi businesses ceased immediately after the invasion of Kuwait because European and American banks would no longer guarantee them. "All traffic is strictly cash up front," the banker said.

Ships are also believed to be carrying European goods into Lebanese ports for trans-shipment by land to Iraq.

Kaifu visit pleases Mubarak

By Tony Walker in Cairo

JAPAN's pledge of $400m (£212m) in aid to Egypt was the first instalment and would be followed by a second package, President Hosni Mubarak said yesterday after two rounds of talks with the visiting Japanese Prime Minister, Mr Toshiki Kaifu.

Japan, which has set aside $2bn in aid for countries hit hard by the Gulf crisis, is providing $300m in commodity loans for Egypt and an additional $100m development loan for a cement factory near Cairo. The Japanese are also providing grant aid to the tune of $30m for Cairo university and for a *fishing* port near the town of Suez.

Egypt says that losses from the Gulf crisis in workers' remittances foregone and diminished tourist revenues would exceed $4bn in 1990-91.

Mr Kaifu said that Japan would support Egypt's economic reform programme, which is under discussion with the IMF. Egyptian officials say negotiations are in the final stages and they expect an agreement by the end of the year.

Mr Kaifu later left Cairo for Amman for talks with Jordanian officials and also Mr Taha Yassin Ramadan, Iraq's first deputy prime minister.

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World Bank to release $200m loan for Turkey

By John Murray Brown in Ankara

THE World Bank is set to release a long delayed $200m (£106m) loan for Turkey, one of the countries hardest hit by the Gulf crisis.

The credit, co-financed by Japan, had been held up for more than two years because of Turkey's failure to introduce financial sector reforms, aimed at curbing inflation, now running at around 60 per cent.

However, the decision to release the funds underlines the Bank's new flexibility, following last week's agreement by industrialised nations in Washington to speed up assistance to affected countries.

Foreign Ministry officials yesterday also confirmed receipt of the first $75m tranche of the $300m grant pledged by the Emir of Kuwait. There are unconfirmed reports that Turkey has also been offered free oil from Saudi Arabia. Mr Toshiku Kaifu, the Japanese Prime Minister, is expected in Ankara today, to finalise Japan's assistance programme.

Estimates of the costs to Turkey's economy range from $2bn to $9bn. Turkey's oil bill alone has gone up by $2bn. The country relied before the crisis on Iraq for 60 per cent of its oil imports. Other costs, resulting from the UN embargo, include reduced trade and transport receipts and lost revenues earned from the pipeline from Iraq.

Turkey's current account has slipped into deficit for the first time in 2 years, but economists rule out any immediate payments crisis, given Central Bank reserves of almost $10bn.

In negotiations with their donors, officials appear more intent on using the present troubles to wring trade concessions rather than short-term financial assistance.

Bahrain struggles to recover from the economic shock

Victor Mallet reports on the funds crisis affecting local commercial and offshore banking

HAMBURGER sellers catering to hungry foreign soldiers are among the few businessmen who have reason to smile in Bahrain following the Iraqi invasion of Kuwait.

With the exception of Kuwait itself, Bahrain is the Gulf state most severely affected by the economic shocks of the crisis. The islands enjoy neither the size and oil wealth of Saudi Arabia nor Oman's comfortable distance from the front line.

Bankers are still assessing the damage caused by a haemorrhage of funds from local commercial banks and from the 55 offshore banking units (OBUs) which were once the pride of Bahrain.

Trade has been depressed by the departure of thousands of foreign workers and dependents from Bahrain, while contractors are faced with a virtual freeze on new capital spending by the government. Projects now on hold or in doubt include desalination and electricity generation schemes and a $55m (£29.2m) new dry dock for the Arab Shipbuilding and Repair Yard.

The crisis has dealt a blow to Bahrain's plans to diversify its industrial base – few foreign or private investors are likely to embark on new projects until the crisis is resolved – but the government is pressing ahead with a $1.2bn expansion of Aluminium Bahrain's smelter operation. Fortunately an agreement for $650m in financing was signed with commercial banks in July.

"Already $860m of contracts have been awarded and the rest are coming up in a few months," said Mr Yusuf Shirawi, minister of development and industry. "Anything connected *with the aluminium is* going."

Bahrain will profit from higher aluminium prices and oil revenues, but the country's already fragile financial services industry, which accounted for 16 per cent of gross national product and provided valuable jobs for Bahrainis, may never fully recover.

Sheikh Ebrahim bin Khalifa al-Khalifa, deputy governor of the Bahrain Monetary Agency (BMA), said the OBUs had lost 12 per cent of their deposits and the local commercial banks 15 per cent. Bankers say privately that the true gross figures are much higher, although they acknowledge that bank shareholders and the government have provided substantial liquidity to support financial institutions.

Banks, some of them heavily dependent on interbank business with Kuwait, have started selling assets. "There's very little new business," said one banker in Bahrain. "Banks are just managing their assets."

Elsewhere in the Gulf bankers have sharply criticised the BMA for undermining confidence by not allowing the clients of Bahrain banks to break time deposits. "Bahrain has totally shot itself in the foot," said one banker in Dubai.

Sheikh Ebrahim retorts *that* depositors had contractual obligations to leave their money on deposit for the agreed periods; and bankers in Bahrain said the BMA had little choice but to stem the tide of capital flight during the critical first two weeks of August.

Some *money* is *continuing* to leave the OBUs as deposits mature, and war in the Gulf could prompt a further outflow. Throughout the Gulf, however, the panic is over, following the arrival of US and other forces, and it is accepted that governments and monetary authorities will not allow any financial institutions to collapse.

Sheikh Ebrahim said he saw "a lot of comfort" because the BMA's net sales of dollar notes had come to a standstill and the exchange of Bahraini dinar balances into dollars had returned to a more normal level. With the return of dinar liquidity, he said, the BMA was considering the possibility of resuming the treasury bill *sales* it suspended after the Iraqi invasion.

"Whatever happens," said Mr Tariq Almoayed, Bahrain's information minister, "it could never be worse than the first week of August."

WORLD TRADE NEWS

US takes tough line on Japan contract awards

By Robert Thomson in Tokyo

THE US has intensified demands that Japan overhaul bidding procedures for building projects, and warned action could be taken unless a contract awarded to a Japanese company for an airport people-mover system was reviewed.

Alleged bid rigging and tender processing have been among the most sensitive bilateral trade issues in recent years, and the new friction over Niigata Engineering winning the contract ahead of AEG Westinghouse could bring a tough US response.

The conflict comes at an embarrassing time for Tokyo, as a local government near Osaka has recently been shaken by an investigation into alleged bribery by companies seeking public works contracts.

It is also awkward that the present dispute should centre on the Y1,000bn (£3,861m) New Kansai International Airport, highlighted by Tokyo as a symbol of construction co-operation.

Japan's Fair Trade Commission has already fined six Japanese companies for forming a land-fill cartel for the airport, being built on a man-made island in Osaka Bay.

During the recently-completed Structural Impediments Initiative (SII) talks on bilateral trade barriers, the US pushed Tokyo to accept the Kansai region's proposals for three runways for the airport, instead of the one that had received central approval.

Enduring US interest in the project partly explains frustration at the Commerce Department, which now says bidding procedures for the system were "unfair", and that AEG Westinghouse's experience and expertise were unreasonably overlooked by the Japanese.

KIAC officials said they had already explained the decision and there was no reason to explain further. Thirteen companies made bids, and it is understood Niigata Engineering submitted one of the lowest, around Y5bn, while the US company and its three Japanese partners bid just under Y8bn.

Niigata Engineering said the companies bidding for the contract had a clear explanation of requirements from KIAC and the company had won "fairly". The US has warned that bilateral talks on foreign access to Japanese building projects will be delayed until the Kansai complaint is settled.

● Nancy Dunne adds from Washington: The US Senate has passed legislation to prohibit foreign companies from getting military building contracts – a market worth about $8bn next year – if found to be discriminating against US companies in public works construction. Similar legislation has won Senate approval for government water, energy and transportation contracts.

Canada-US pact may open domestic flight routes

CANADA and the US are to negotiate a new bilateral air agreement which may allow each country's airlines to become the first foreign carriers to fly on their domestic routes, Bernard Simon reports from Toronto. Mr Douglas Lewis, Canada's transport minister, said the aim of the talks, set to start formally early next year, will be "completely to liberalise" air traffic between the two countries.

Mr Lewis said airlines rather than government would decide which cities would be linked. "Such a regime could allow carriers from each country to operate services between any point in one country and any point in the other, as well as between points within the other country." Negotiations could be finalised by late next year, with changes being phased in over a longer time.

The agreement will cover scheduled, charter and cargo flights.

Japanese to share in GE jet engine programme

By Paul Betts, Aerospace Correspondent

JAPAN'S pre-eminent maker of aircraft engines, Ishikawajima-Harima Heavy Industries (IHI), says it is investing in an 8 per cent share worth about $110m (£58.5m) in the US General Electric group's GE90 large civil jet-engine programme.

IHI will design and develop the engine's low-pressure turbine and main engine shaft. GE had indicated at the recent Farnborough Air Show that IHI was planning to take a stake of between 8-10 per cent in its $1bn-$1.5bn high-thrust commercial engine project.

The US group has been seeking risk-sharing partners for its new engine programme to produce power-plants for the new generation of large twin-engine wide-body airliners such as the Airbus A330 and the planned Boeing 767X.

Snecma of France has agreed to take a 25 per cent stake in the GE90 programme in which Fiat of Italy is also taking a 10 per cent interest. IHI is also a risk-sharing partner in the Rolls-Royce high-thrust "Trent" engine programme directly competing against the GE90 and a high-thrust version of the US Pratt & Whitney PW4000 engine family.

● Singapore Airlines (SIA) has confirmed it is going ahead with a $5.5bn order for Boeing 747-400 aircraft. SIA said it had signed a contract with Boeing covering a firm order last January for 15 aircraft and options for 15 more.

● David Boggis adds: Learjet, the business-aircraft company taken over in June by Bombardier, the Montreal-based diversified transport engineering group, yesterday announced two new models.

The larger is the Learjet 60, in the size and performance gap between the biggest previous Learjet, the 55, and the intercontinental-range Challenger business jet produced by Canadair.

It provides competition for British Aerospace's BAe 1000, at present under development, which is being promoted as capable of flying corporate passengers non-stop between New York and London or the US West Coast.

Commission set to back MacSharry farm plan

THE European Commission was last night set to approve a plan by its farm commissioner, Mr Ray MacSharry, for Europe to offer a 30 per cent cut in farm support, to clinch an overall Gatt trade agreement, David Buchan and Kieran Cooke report from Brussels.

Two weeks ago, Mr MacSharry failed to get his plan past an ill-attended meeting of his colleagues, leading to speculation of a Commission split on the trickiest issue still outstanding in the Uruguay Round talks.

But last night, Mr MacSharry was thought likely to carry most of his 16 colleagues with a slightly amended plan, to be scrutinised by EC farm and trade ministers next week.

Mr MacSharry, a former Irish finance minister, also came under European Parliament pressure over allegations he had used political pressure to stop Amro, the Dutch bank, foreclosing its loans to Goodman International, the Irish meat business. The 180-strong Socialist group called on Mr MacSharry to resign if claims proved true he had asked a former Dutch farm minister to intervene with Amro.

Commission criticism to Mr MacSharry's plan has largely come from Mr Frans Andriessen, now responsible for external trade and Gatt and in charge of agriculture in 1985-88, and has focused mainly on two issues.

The first is "re-balancing", by which Brussels proposes the EC should partly compensate for cutting farm support - overall by 30 per cent in 1986-96 - by slapping import tariffs and quotas on inputs and feedstuffs where such curbs do not now exist. This would introduce tariffs of 6-12 per cent.

Such proposals would be "regressive and restrictive", the Grain and Feed Trade Association representing feed shippers, brokers and users in some 40 countries, said yesterday. It charged that "re-balancing" would create "a totally managed, rather than a free, market, and constantly rising costs for taxpayer and consumer".

The other controversial element, especially with the US, is export refunds. Mr MacSharry is offering some general limits, such as promises not to grant export subsidies to countries that have not benefited from them in the past.

● Unice, the European employers' organisation, is stepping up its drive for a pro-industry outcome to the trade talks under Gatt, but still shrinks from calling for big sacrifices from Europe's powerful farm lobby.

Mr Carlos Ferrer, Unice president, will head a 100-strong delegation of industrial associations on October 18 to impress on Mr Andriessen the need to push for the simplest, most transparent rules with widest acceptance. But the consensus nature of Unice, representing west European employer federations, dictates caution on the issue of farm subsidies.

Transport services split could imperil Gats pact

By William Dullforce in Geneva

DIFFERENCES over transport services have become a serious threat to completion of an agreement liberalising the $600bn (£319.1bn) world trade in services in the Uruguay Round.

In particular, a row over shipping and inland waterways, involving the European Community and the US, could develop into a "deal breaker", one senior negotiator said yesterday.

He was summing up the situation after meetings last week of two working groups which have been examining how maritime and land transport services can be integrated into a General Agreement on Trade in Services (Gats).

At the core of the dispute is the question of "coverage", whether the general trade-liberalising principles embodied in Gats should apply to all service sectors.

Both the US and EC shipping industries, for different reasons, want their sector exempted. They are not alone. For instance, airlines and civil aviation authorities, whose interests are now protected by a multiplicity of bilateral agreements on landing rights, are also resisting the inclusion of their sector.

The solution adopted by negotiators in Geneva is that "awkward" sectors should be dealt with in annexes to Gats, accommodating the scope and pace of the application of Gats' general principles to their special circumstances.

Working groups have been assessing the need for, and the contents of, annexes for no less than nine service sectors. The problem is that no country is ready to commit itself to liberalising any of its services as long as it fears that sectors, in which it has particular export interests, may be subjected to exemptions.

A row over shipping involving the US and EC could develop into a deal breaker, one senior negotiator said

In addition, disputes have erupted in several of the working groups as negotiators have sought to protect the interests of their domestic industries.

Last week, the EC exploded a minor bombshell in the group discussing land transport by demanding that the most-favoured-nation (MFN) or non-discrimination principle embodied in the Gats should not apply to traffic on inland waterways and to cross-border road transport.

The US, whose domestic legislation links inland waterways with cabotage or coastal shipping, insists that waterways be handled in the shipping sector and not as part of land transport.

In the group discussing maritime transport, the EC has asked for a derogation – exemption clause to permit time for the changing of national legislation – from the MFN principle for the bilateral cargo-sharing agreements it has concluded under the United Nations liner code. It wants this derogation to be extended to any future agreements it may make under the code.

Washington does not subscribe to the liner code. Accepting the Community's demand, US negotiators say, would amount to providing protection for EC cargo-sharing arrangements while US bilateral agreements would be invalidated.

A crucial objective for the US shipping industry is to maintain under the Gats the provision in the Merchant Marine Act that allows the US administration to retaliate unilaterally against countries regarded as harming US shipping interests.

Other countries see such an exception as completely inconsistent with the spirit of a trade-liberalising agreement. They complain that transparency, the obligation to publish all relevant laws and regulations, is the only Gats principle the US has so far agreed to apply to shipping.

Trade officials say only painful political decisions at the top level in Washington and Brussels can resolve the disputes over the sectoral annexes. Before the annexes are in shape, no commitments to liberalise can be expected and the completion of a Gats remains in jeopardy.

E German trade waiver sought

THE European Commission yesterday sought a two-year waiver from Gatt rules for transitional measures the EC plans to apply to trade between the former East Germany, the Soviet Union and East European countries, William Dullforce reports from Geneva.

The measures are designed to avoid trade dislocation under bilateral agreements the former East Germany had concluded with its partners in the Comecon trade bloc. Immediate application of EC rules would lead to further factory closures, loss of production and unemployment in eastern European countries, the Commission told the Gatt council.

Instead, the EC proposes duty-free tariff quotas for imports to the maximum allowed in East German bilateral agreements. The imports would be for final consumption only in the previous East German territory. The EC said it might have to keep some arrangements with Moscow, to allow trade flows to continue.

The new measures, incompatible with Gatt's non-discrimination principle, would be applied from December until end-1991, with possible one-year renewal. Trade volume involved would not be significant and was unlikely to be competitive with alternative trade possibilities, the Commission said.

In 1988, East Germany's foreign trade amounted to $59bn (£31.3m) of which two-thirds concerned Moscow and its other Comecon partners.

Canada pork subsidy row

THE US is applying countervailing duties to Canadian pork imports in a way inconsistent with Gatt rules, a disputes panel told the Gatt council yesterday, William Dullforce reports from Geneva. The panel recommended the US reimburse the duties or make a new evaluation, in line with Gatt rules, of the subsidy it claims Canada applies.

The US imposed a duty on $700m (£372.3m) of Canadian pork imports in 1989, a decision based on an amendment to the US Tariff Act under which a subsidy to a farm raw material could be deemed a subsidy to a processed product.

Canada complained the countervailing duty was excessive and asked Gatt to tell the US to revoke its amendment. The panel said the request to withdraw the amendment did not fall within its mandate. It was not saying no duty should have been levied, but the US should have shown how far the subsidy resulted in lower pig prices for the pork producers than those commercially available.

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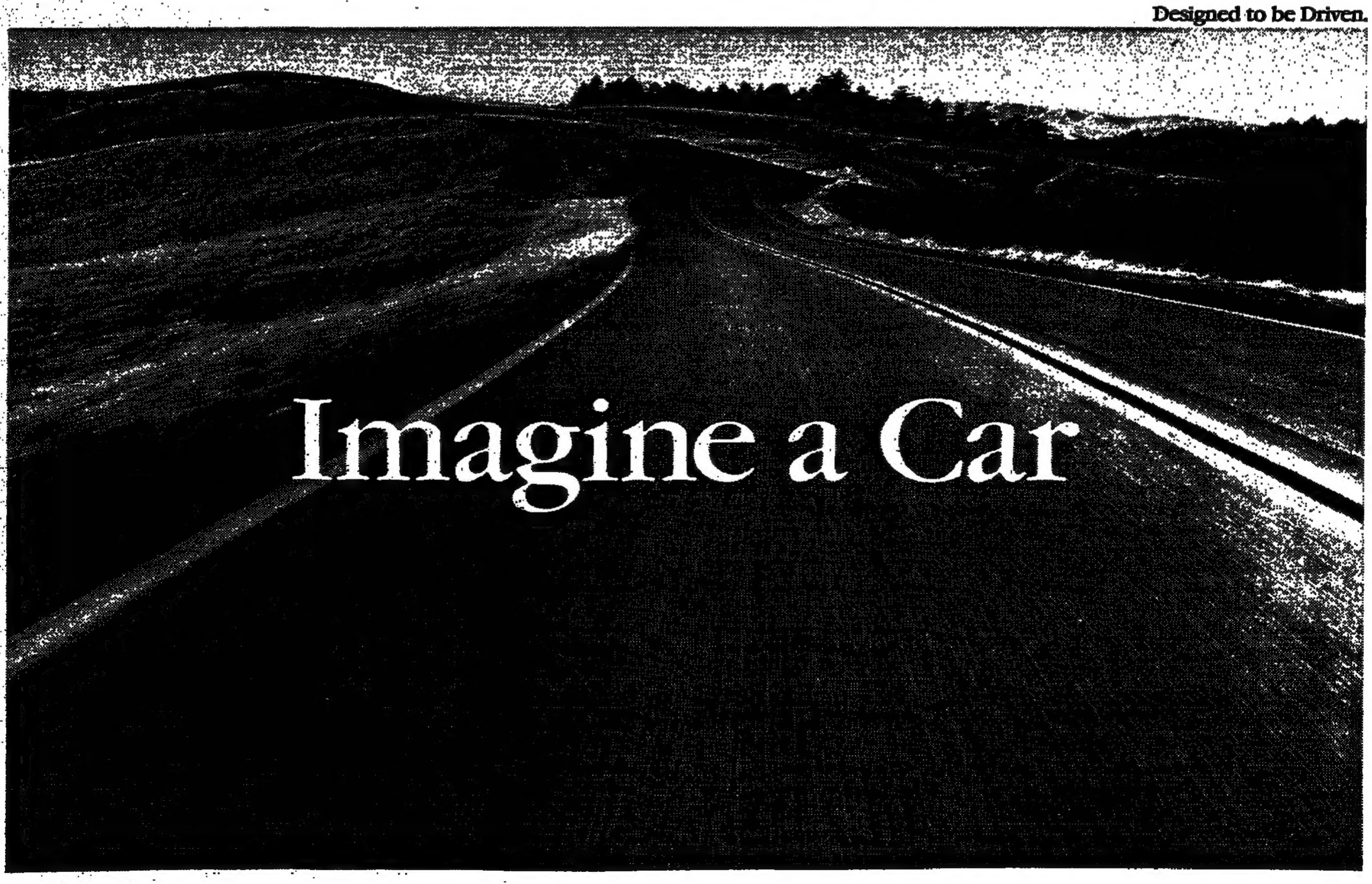

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Feuding over tactics tears apart Burmese opposition

BURMA'S main opposition party, landslide election victor but barred from forming a government, is being torn apart by army harassment and internal feuding over how to win power, Reuter reports from Bangkok.

The National League for Democracy (NLD), whose leaders were arrested last month, will meet soon to try to win back support among rank-and-file members.

The NLD, a motley group of retired generals and dissident intellectuals, had since its dramatic election win in May avoided direct confrontation with the military government but kept up demands for an early transfer of power.

But last month's arrest of acting chairman Kyi Maung and harassment of the NLD's intellectual wing has unbalanced the party, costing it momentum and alienating it from a populace eager for change.

"There is considerable unhappiness within the NLD about its apparent kowtowing to the military," a diplomat in Rangoon said. "Kyi Maung was the glue which held the party together through an amazing election victory. He is gone now, and the NLD in the countryside is not sure it trusts the present leadership."

Since the election the army has reneged on its promise to hand over power to the winners, demanding that the NLD and other parties first draw up a constitution.

After Kyi Maung's arrest the NLD said it sought a dialogue with the army and hinted at agreeing to its demand for a slow, closely supervised transfer of power. Diplomats said NLD representatives touring provincial offices to explain the party's efforts for compromise had been frostily received by local members.

About 75 per cent of NLD elected candidates were loyal to academic Aung San Suu Kyi, who despite being under house arrest since July, 1989, has been credited with inspiring the party's electoral victory, they said.

"She is inside and so now is Kyi Maung. Their massive rank-and-file support is no longer reflected in the NLD leadership," a diplomat said.

Boost for Nigeria's debt conversion strategy

By William Keeling in Lagos

NIGERIA'S debt-conversion strategy, central to government attempts to attract foreign investment, has received a modest but important boost with the announcement that Sterling Drugs of the US, a subsidiary of Eastman Kodak, will invest $3.85m in its Nigerian subsidiary, Sterling Products (Nigeria).

Although the amount is small, the timing is significant as it gives support to the view that the recent tide of disinvestment in Nigeria has turned. International companies which have recently disinvested include Wiggins Teape, ICI, and Tate and Lyle.

But there is an inflow of new investment, led by Coca-Cola, Nestlé and Glaxo.

Sterling Drugs is channeling its own new investment through a forthcoming rights issue and a new public issue which will raise $6.4m. Sterling Drugs will subscribe for 60 per cent of both issues, the maximum permitted under Nigerian law.

At least $3.2m will be spent on modernising its plant and reformulating its products to meet new standards established by the government for the pharmaceutical industry. The remainder will go towards building up the company's working capital.

The method of finance may also be a pointer to future investments in Nigeria. Sterling Drugs raised its investment finance through debt conversion but with a twist to make the transaction more attractive.

The company first took advantage of a price differential in the secondary market between Nigerian government promissory notes and restructured Nigerian bank debt. Promissory notes held by Sterling Drugs were sold at approximately 33 cents to one dollar and an equivalent amount of bank debt was purchased at about 28 cents to the dollar.

A spokesman for First City merchant bank, which acted as agent for the conversion, explained: "Both promissory notes and bank debt obtain the same terms and conditions for debt conversion. But by exchanging notes for bank debt, a saving in the region of 5 per cent can be made on each nominal dollar of investment."

At the final debt conversion, Sterling Drugs exchanged its bank debt at a rate of about Naira 14.7 to one dollar, as compared to the official exchange rate of eight naira to one dollar.

Of the large international companies now investing in Nigeria, however, only Sterling Drugs and Glaxo Holding – which invested $1.5m in Glaxo (Nigeria) Ltd in January – have used debt-conversion.

Coca-Cola is investing $13m in a wholly-owned subsidiary and last month Nestlé, by means of a rights issue, injected $2m into Food Specialities (Nigeria) Ltd, in which it holds a 40 per cent stake. Nestlé's investment will go towards the financing of a $4.2m malt extraction plant which was commissioned in February.

Analysts say the reluctance of some investors to use debt-conversion is due to the difficulty in reconverting Naira back into foreign exchange.

Other constraints to foreign investment remain the enforcement of tight expatriate quotas and problems securing visas for foreign employees. And though the tide may be turning, the level of investment is still a fraction of what Nigeria requires for its economic development.

Benazir Bhutto struggles through the courtroom crowd

Bhutto vows to oust Pakistan president

MS Benazir Bhutto, Pakistan's former prime minister, vowed yesterday to get rid of the president of Pakistan if she wins a special parliamentary election he called after ousting her, AP reports from Karachi.

Ms Bhutto's 20-month-old government was dismissed by President Ghulam Ishaq Khan on charges of corruption and abuse of power. He has called elections on October 24.

She faces trial before a special one-judge tribunal here and in her hometown of Karachi on four charges of misconduct and abuse of power.

She had been scheduled to appear before the Lahore tribunal on Tuesday, but the proceedings were cancelled when hundreds of emotionally charged supporters stormed and ransacked the courtroom. After two hours of pandemonium that left dozens injured, the hearing was postponed until next Tuesday.

Ms Bhutto yesterday claimed that 250 to 280 plain-clothes police infiltrated the crowd of about 5,000 supporters and stirred up the trouble.

"I felt I was suffocating. I felt as if I was blacking out. I raised my head for a gasp of air and smelled gas," she said.

A spokesman for the army-backed caretaker government accused Ms Bhutto of trying to create chaos and instability in order to force a cancellation of the elections.

South African exporters come out in the open

Black Africa is now less secretive about its trade with the white-ruled state, writes Philip Gawith

MR Pik Botha, South Africa's Foreign Minister, used to tell the story of how South Africa traded with every African country but one, thus providing a flimsy alibi to those countries who wished to deny they had trade links with South Africa.

Now even that fig-leaf is being abandoned. Mr Glen Babb, formerly deputy director-general of the department of foreign affairs, has stated that not one of the 50 members of the Organisation of African Unity does not trade with South Africa.

There is no question that the increasing glasnost which infuses South Africa's trade relations can be traced to President F W de Klerk's reform initiatives. Mrs Katerina Yiannakis, marketing director of *Premier International*, international arm of one of South Africa's largest food companies observes: "The political beliefs of our present government have done a lot towards achieving this new attitude."

An export agent confirms the change saying: "They don't receive you in their house after dark anymore!" Sensitivities concerning trade with South Africa do, however, remain. Thus local companies involved in trade with Africa normally keep a very low profile and annual reports are normally devoid of anything but the most bland detail concerning export activities.

Stillness should not be mistaken for absence. Available figures suggest that South Africa's annual exports to Africa are about R5bn (£1bn) with two-way trade in the region of R7bn. Mr Kent Durr, minister of trade and industry, has said that trade with the rest of the continent now accounts for 32 per cent of exports of manufactured goods.

Mr Martin Smith of the South African Foreign Trade Organisation (Safto) says that South Africa's trade with other southern African countries and the Ivory Coast, an established trade partner, increased by upwards of 40 per cent over the past year. Other major trade partners outside of the region include Rwanda and Burundi.

Mr Smith cites Burundi as an example of a country with which South Africa can now trade directly as opposed to having to go through third parties. Another example is Madagascar with which South Africa recently signed a trade agreement. Previously South African goods went to Madagascar through Mauritius and Reunion. Direct trade obviously means that South African goods are considerably cheaper, and more competitive, than when a middle-man is involved.

The logic for South Africa trading with the rest of Africa

Kent Durr: a third of exports of manufactured goods go to Black Africa

is compelling. Proximity is obviously important as is the fact that South Africa's economy being considerably more advanced than its African trading partners means there are many opportunities for technology transfer and sharing of management expertise.

Similarities of climate and consumer markets also confers advantages to South Africa over overseas competitors. Most South African manufacturers have already had to turn their attention to the specific needs of the black consumer, who now exert more buying power than white customers, and this automatically places them on a better footing for exports to Africa.

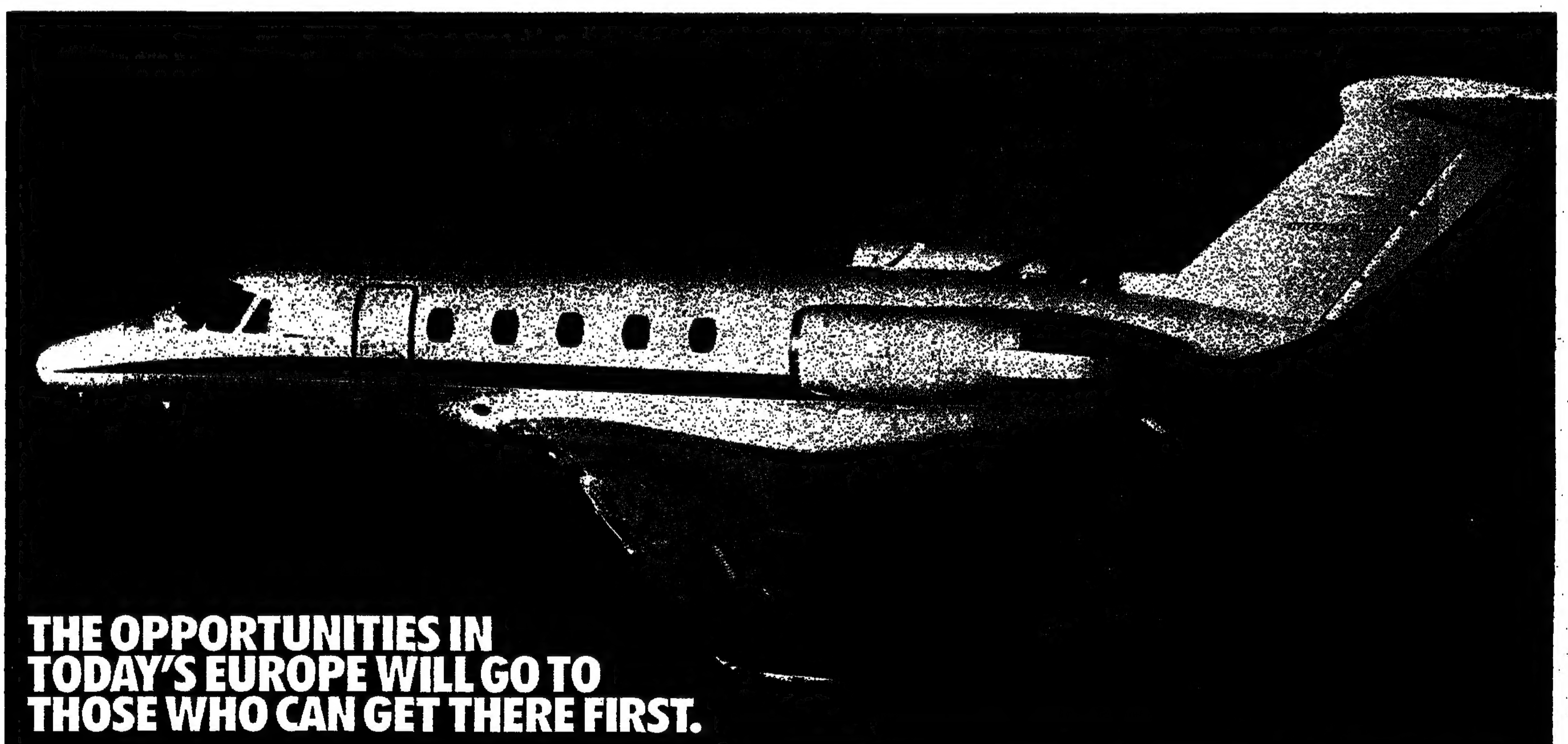
Fortuitously, political reform in South Africa is being matched by a process of democratisation across Africa which offers improved prospects for trade. Mr Smith maintains that democratisation is often accompanied by trade liberalisation as countries seek to make their economic and trade arrangements more palatable to potential donors and investors. He cites the example of Madagascar which until recently had a closed socialist economy trading only with France and eastern Europe.

South Africa also stands to benefit from the possible vacuum which may ensue as the west disengages itself increasingly from Africa. This is partly a function of disillusionment with Africa's poor track record and partly the result of more compelling or convenient alternatives for investment in eastern Europe and the Pacific Rim countries.

Although there is no doubt that many doors are opening in Africa, there are factors beyond politics which give reason for caution. Principal among these is the continent's appalling poverty which means that considerable innovation is required if trade is to be facilitated. Hence Mrs Yiannakis stresses Premier's philosophy of "helping people to help themselves".

This is a commercial adage, even if it sounds like it belongs in an aid manual. She explains: "You can't go into a market with a price list and ask what people want on account of the limited forex. You need to look instead at projects which generate forex to fund the imports or programmes which promote import substitution." She cites as an example a poultry farming project which Premier are developing in Mozambique.

Mr Smith says that although there are now many more opportunities for South African exporters than a year ago, it will take time to capitalise upon these. Relationships have to be developed and factories need to develop capacity to serve markets which were long closed. Those who took the trouble to nurture relationships in the past can anticipate a pay-off while others must still jockey to get into position.



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INTERNATIONAL NEWS

Algeria to use oil bonanza to repay debts

ALGERIA will use an oil price windfall from the Gulf crisis to clear $800m in international debt arrears owed by public and private Algerian companies this year, Mr Ghazi Hedouci, the economy minister, said yesterday, Reuter reports from Algiers.

He said the repayment was a priority to restablish Algeria's credit rating on international markets.

Algeria, almost entirely dependent on oil and gas revenue for hard currency, will reap a $700m bonus this year assuming average oil prices of $26 a barrel, Mr Hedouci said.

Rwanda invaded

Rebels who have invaded the Central African state of Rwanda from neighbouring Uganda have advanced to within 70km of the capital Kigali, the Belgian Foreign Ministry said yesterday, Reuter reports from Brussels.

A spokeswoman said the rebels were fighting government troops near the towns of Gatsibo and Gabiro, to the north of Kigali. She declined comment on reports that Rwanda had requested military assistance from Belgium, its former colonial ruler.

Embassy bomb

A bomb exploded at the home of the US ambassador to South Africa early yesterday, but caused little damage and no casualties, Reuter reports from Pretoria.

Ambassador William Swing was at home and asleep when the small, home-made device went off at 1am at the rear of the US residential compound.

There was no immediate claim of responsibility. Home-made bombs using commercial explosives are often the work of white supremacists opposed to President F.W. de Klerk.

Cigarette ban

Vietnam has banned the import and consumption of foreign cigarettes, which the state radio called the new "imperialism" of the United States and other capitalist countries, AP reports from Bangkok.

Israel plays down pledges on Soviet Jews

By Hugh Carnegy in Jerusalem

Baker: given assurances

MR David Levy, the Israeli Foreign Minister, yesterday played down the extent of commitments made to the US on Jewish settlements in the occupied territories in exchange for loan guarantees. His remarks suggest Israel has not altered its policy on the controversial issue.

Mr James Baker, the US Secretary of State, said on Tuesday Israel had given unprecedented and far-reaching assurances it would not settle Soviet Jewish immigrants in the West Bank and Gaza Strip, and would provide details of the financing of all settlement activity in the territories.

These commitments were demanded by Washington in return for state guarantees on $400m (£213m) Israel is to raise from US sources for the urgent task of housing a flood of Soviet immigrants. The issue had become a real bone of contention between Israel and the US, with the Bush Administration insisting it would not put up the guarantees unless it was certain the loans would not allow extra funds to be spent on Jewish settlements in the territories.

Mr Levy, aware of hostility within the ruling right wing Likud Party to any concessions on settlements, struck a distinctly defensive tone when he arrived home from the United Nations meetings in New York, where he had thrashed out the issue with Mr Baker. He said Israel had all along said it would not direct Soviet immigrants to the occupied territories, but implied that neither would they be stopped from settling there if they wanted to. He portrayed as routine the undertaking to provide spending details the US complained were usually disguised under various different budgets.

What was left unstated by either man - and may yet cause friction between the two sides - was the position of east Jerusalem. The US insists that it includes areas it considers off-limits for Soviet immigrants parts of Jerusalem captured in 1967 but then annexed and settled extensively by Israel.

Israel equally strongly insists such areas are not part of the occupied territories and makes no secret of the settlement of hundreds of Soviets in east Jerusalem Jewish neighbourhoods.

Although no cash transfer is involved in the US guarantees, they enable Israel to borrow from US markets at favourable rates at a time of great financial strain caused by the influx from the Soviet Union. This week's arrangement is meant to be just the start of a series of vital loan guarantees to help the process.

Small steps toward Palestinian self-sufficiency

EC aid is helping to set up small West Bank business projects, reports **Hugh Carnegy**

IN the al-Fawwar Palestinian refugee camp just south of Hebron, in the Israeli-occupied West Bank, three cows stand tethered behind a makeshift breeze-block barn, their tails swishing against the flies and the heat.

Oblivious to the sound of Israeli army vehicles racing down the adjacent street to chorus of shouts and insults from the camp's children, the three cows comprise Adnan Ghatash's dairy project.

Set up early this year with a loan of $8,000 (£4,266) from the Jerusalem-based Economic Development Group, a Palestinian credit agency, it is one of the humbler examples of a growing number of small business projects being set up in the West Bank and Gaza Strip in an attempt to promote Palestinian economic self-sufficiency - one of the goals of the 33-month old intifada, or uprising, against Israeli rule.

It is an effort which those involved believe has become even more important as a result of the Gulf crisis, which has slashed the large amounts of money previously flowing into the West Bank and Gaza in the form of remittances from Palestinian workers in Kuwait and official Kuwaiti donations.

An important backer of the initiative is the European Community, which has pledged to double its direct aid to the occupied territories to Ecus 12m by 1992. A significant share of this, and considerable bilateral aid from EC members, now goes for economic development, usually through a handful of Palestinian agencies like the EDG.

Palestinian reliance on the Israeli economy remains heavy. Companies employing more than a handful of workers are few. So, given the absence of effective local banking services, the EC contribution has a considerable impact.

There is no shortage of demand for credit for everything from basic agricultural projects to larger enterprises in areas like textiles and engineering. The problem is to identify viability in circumstances where already precarious economic conditions are complicated by occupation and uprising.

Take Adnan's project. First of all, he is a graduate of English from a West Bank university, not a farmer. He turned to agriculture after being sacked from his teacher's job by the Israelis. He has no access to grazing land.

He originally bought four cows, hoping to profit from being the only producer of milk in al-Fawwar. Because of his inability to pasteurise his output, however, he had to sell his milk to a dairy in Hebron, which will only take 50 litres a day from him, which three cows will amply supply.

Now the shekels 50 (£13.20) a day Adnan earns on average from the dairy is offset by the near shekels 40 a day he spends on feed. The project is reduced to bare subsistence and Adnan, who could earn far more labouring in Israel, needs to reschedule his loan.

> The dishonour of default helps sustain a repayment rate on loans of about 70%.

The prospects for loan-backed development are not as gloomy as Adnan's example suggests, however. EDG staff say the repayment rate on their loans is about 70 per cent - more if creditors hit by local hazards such as detention by the Israelis are excluded. The dishonour in the close-knit community attached to default, especially for the family partnerships which typify Palestinian business, helps sustain regular repayment practice.

One success story near Hebron is Khalil Taweel's small workshop producing plastic shopping bags. A loan of $15,000 - on top of $60,000 put in by him and his brothers - enabled Mr Taweel to buy a new cutter to compliment his existing plastic extruder. The business quickly started turning out half a tonne of bags daily.

It illustrates a paradox of the intifada. On the one hand, the regular strikes and early closing that are an integral part of the protest rebound on local business. But a boycott of Israeli products has fuelled demand for Palestinian-made goods - including Mr Taweel's bags. Food, furniture, metal working, paints, clothing, footwear and electrical goods all offer prospects.

EC officials are studying ways of advancing much greater sums than previously extended to individual enterprises - perhaps as much as Ecus 200,000 where before Ecus 50,000 was a big loan - without incurring undue risk.

But availability of capital is not the only issue. At a business development centre set up this year by the UN Development Programme, Mr Mohammad Sarsour, its manager, says a priority is to teach management skills. "Ninety nine per cent of Palestinians running factories have absolutely no concept of administration and management skills," he says.

Too many projects supposedly supplying Palestinian products to the local market are in reality repackaging operations which rely on Israeli inputs, he says. There is a need for rigorous feasibility studies to pick out genuine local product opportunities.

A possible example he cites is a garbage recycling plant in rubbish-strewn Gaza to produce egg cartons. More conventional would be a synthetic leather plant to supply the active local shoe-making industry.

"Money is not the answer," says Mr Sarsour. "There is a need to focus on more important things. We have asked the EC to coordinate their efforts with us - they must make sure their money is used properly."

Aside from these issues, Palestinian businessmen face the added problem of operating under occupation. They complain bitterly about Israeli actions against them, especially punitive tax and licencing demands and obstacles to selling in Israel.

But there is a strong feeling that progress can be made nevertheless. Mr Hisham Awartani, a leading West Bank economist and chairman of the EDG, says that wealthy expatriate Palestinians should contribute by investing in local business, especially now that the Iraqi invasion of Kuwait has cut or threatened previously popular investments in the Gulf.

"This is not an EC obligation, it is a Palestinian obligation," he says. "Our experience shows something can be done despite the occupation. Awaiting independence is a crime."

China's prime minister Li Peng yesterday visited victims of China's worst air crash in a decade amid confusion, secrecy and distress surrounding the authorities handling of its disaster, Reuter reports from Canton.

Anxious relatives wept as officials refused to disclose the whereabouts or fate of passengers unaccounted for after a hijacked airliner crashed in flames into two parked aircraft at Canton's Baiyun airport on Tuesday.Officials said 127 people died when the hijacked Boeing 737 exploded on landing and ploughed into a fully-laden 757 waiting to take off for Shanghai and an empty 707.

The Special Handling Committee set up in Canton to cope with the aftermath of the crash rejected pleas from relatives for information on whether missing passengers were in the mortuary or in hospital. More than 12 hours later officials finally handed out lists of the dead and injured.

Iran hardliners fail to loosen moderates' grip on power

IRANIAN hardliners suffered a twin blow yesterday in their efforts to stave off a rout by moderates in elections for a key clerical assembly which chooses Iran's supreme leader, Reuter reports.

Ayatollah Ali Khamenei, the current supreme leader, sharply rebuked the hardliners for criticising preparations for next Monday's election of the Experts' Assembly.

In parliament, a last-ditch effort to change election rules petered out, setting up moderates for an almost unopposed sweep of the 83-seat, eight-year assembly, which also has the power to dismiss the supreme leader.

Although the assembly is not involved in the day-to-day running of the country, defeat in the elections could severely weaken the hardliners who have lost ground since the death 16 months ago of Ayatollah Ruhollah Khomeini and the election of Ali Akbar Hashemi Rafsanjani as president.

The hardliners, who oppose free-market economic policies and extensive relations with the West, have focused their attacks on the Guardian Council, a senior constitutional body which oversees the election. They say the council eliminated a number of their candidates from the race through political bias.

● The influential Tehran Times yesterday called for the release of more Moslem prisoners held in Lebanon to pave the way for freedom for western hostages this year.

It said western pressure was apparently behind the release by the South Lebanon Army of the 40 mostly Shi'ites on Monday. Release of Palestinian and Lebanese prisoners held by the SLA is one of the conditions set by pro-Iranian kidnappers in Lebanon for freeing their 12 western hostages.

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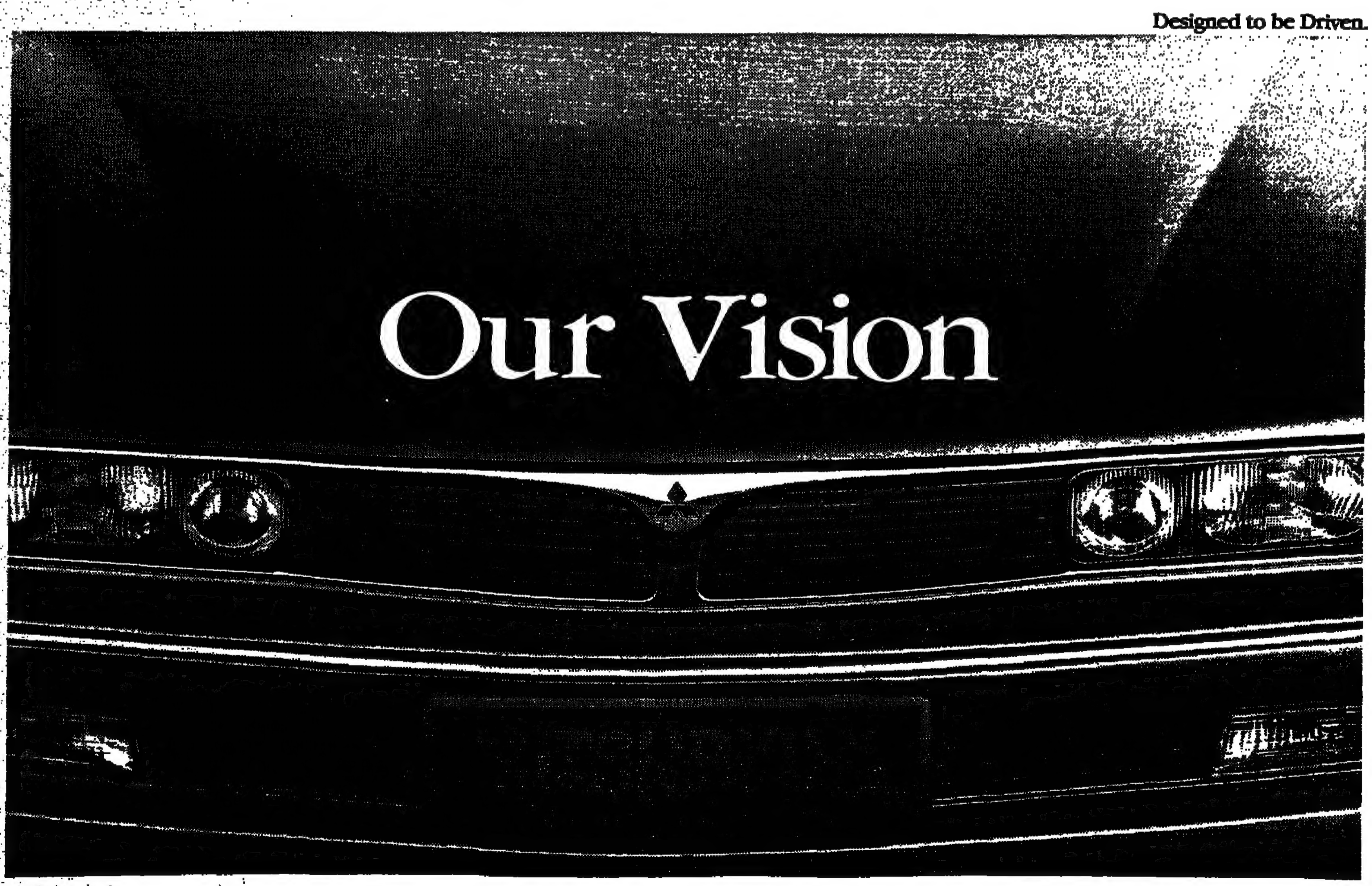

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AMERICAN NEWS

Rise in new US orders surprises analysts

By Anthony Harris in Washington

THE VALUE of new orders for US manufacturers rose 1.8 per cent in August, surprising market economists who had predicted a fall. However, the increase was largely due to higher prices for oil refinery products – if oil is excluded, the rise in orders was 0.6 per cent.

The figures are heavily influenced by fluctuations in car and aircraft orders, and by a revival in defence orders, including tanks and ships, resulting from the Gulf crisis. If transportation equipment orders are excluded, orders rose 1.8 per cent after climbing 1 per cent in July.

The previously reported fall in durable goods orders has been revised down from 0.8 per cent to 0.5 per cent. But orders for civilian capital goods remain weak, with a 10.2 per cent fall reversing a rise of 10.1 per cent in July, largely reflecting reduced orders from the airline industry.

While order books fell marginally – these are not affected by the oil price increase – inventories remain well under control, another relatively bullish sign for future activity.

Inventories of durable manufacturers were unchanged from July. By stage of fabrication, materials and supplies were down 0.6 per cent, finished goods up 0.7 per cent and work in process unchanged.

Inventories of non-durable goods were up 0.5 per cent, largely due to higher-priced oil.

Caution over joint Angolan peace force

A US State Department official said yesterday it was unlikely American forces would be sent to Angola on a joint peacekeeping mission with Soviet troops, AP-DJ reports from Washington.

The official's remarks came a day after the leader of Angola's rebel forces said the two superpowers might send peacekeeping forces to Angola once a ceasefire was reached in the 15-year-old civil war.

The US has armed the rebels, while the Soviets have provided massive military aid to the leftist government in Luanda.

Mr Jonas Savimbi, head of the US-backed National Union for the Total Independence of Angola (Unita) rebel group, said yesterday after a meeting with President George Bush that the US leader saw the idea as a "good thing".

There was no immediate White House comment on Mr Savimbi's statement. Last week Soviet and US representatives were on hand in Lisbon for the fourth round of peace talks between envoys of the leftist Angolan government and Unita.

Critics condemn tax break proposal in US budget

By Peter Riddell, US Editor, in Washington

NEW TAX reliefs in the US *budget agreement would* reverse the intention of the 1986 tax reform act to make the US system more neutral and equal between taxpayers. This is the result of active lobbying and careful attention to friendly interests on the part of budget negotiators.

The reliefs are expected to cost a total of $25bn (£13.2bn) in lost revenue between 1991 and 1995, compared with revenue-raising proposals amount*ing to nearly $163bn. Taking* account of small social security changes, this leaves the net increase in taxes at $134bn.

Leaving aside the proposals for enterprise zones, increasing the earned income tax credit, various energy incentives and extending various expiring provisions, the new tax breaks will cost $12.1bn over the 1991-95 period.

Roughly $7.8bn is to come from the proposal for individuals to deduct 25 per cent of the purchase price of specified small business stock, up to an annual limit per individual of $50,000.

The administration believes the new tax reliefs will assist smaller businesses and so encourage growth.

Officials say the changes will be structured to prevent the creation of tax shelters in property or financial activities.

However, there has been comment that these proposals threaten to open up a wide range of new tax shelters for the better-off. Whatever the intention, there could be a repetition of the problems of the first half of the 1980s when similar tax breaks created a massive inflow of money into construction, leading eventually to large numbers of empty office buildings.

Conservative critics have pointed to the extension of tax breaks for companies which produce gasohol, an alternative to conventional petrol. This, they say, will benefit Archer-Daniels-Midlands, which produces 70 per cent of the US's corn-based ethanol used in gasohol.

Mr Dwayne Andreas, its chairman, is a long-time supporter of the political and charitable causes of Senator Robert Dole, the Republican minority leader, who was a key budget negotiator.

Senator Dole also helped ensure the 10 per cent luxury tax will not cover private aircraft, as originally intended, critics point out.

The headquarters of two leading private aircraft companies, Beech and Cessna, are in the senator's home state of Kansas.

Oil price rises put skids under Canada's economy

Ottawa faces an uncertain economic outlook as inflation looks set to rise, writes **Bernard Simon**

THE rise in oil prices has *come at a particularly* cruel time for Canada.

Just a few weeks before Iraq invaded Kuwait, the Bank of Canada was starting to lower interest rates for the first time in three and a half years. The bank was signalling its satisfaction with progress made in containing inflation, while responding to concern over a steep dive in business activity.

Canadians have had little to cheer about on the economic front lately. The economy appears to have sunk into a full-blooded recession; unaccustomed political volatility, centred on Quebec's future role in Canada and stirrings of discontent in the western provinces, have made foreign investors skittish; and unexpectedly high interest rates earlier this year have thrown the government's budget forecasts off-track.

The sighs of relief were almost audible as the Bank of Canada brought down its trend-setting weekly Bank rate from almost 14 per cent towards the end of June to 12.6 per cent in the third week of September.

Equally important, the spread between US and Canadian short-term rates narrowed from a peak of almost 6 percentage points to about 4.7 points.

But with inflation set to receive a fresh push from the oil price, Ottawa's readiness to reward past achievements is again tinged with concern over *what lies ahead.* The premium on short-term Canadian securities has widened in the past fortnight to almost 5 percentage points.

Last month Mr Michael Wilson, finance minister, and Mr John Crow, governor of the Bank of Canada, delivered a double-edged message in speeches deliberately given within a few days of each other.

As Mr Crow put it, "after a *long delay,* the economy is adjusting to a balance of demand and supply that can provide a solid basis for sustained non-inflationary growth." But he added there would be some "potentially difficult passages to navigate".

On the plus side, inflation measured by the consumer price index has fallen from an annualised peak of 6.6 per cent in mid-1989 to 4.1 per cent in August 1990. But the price has been a sharp contraction in the economy, especially the overheated housing market and other interest rate-sensitive sectors.

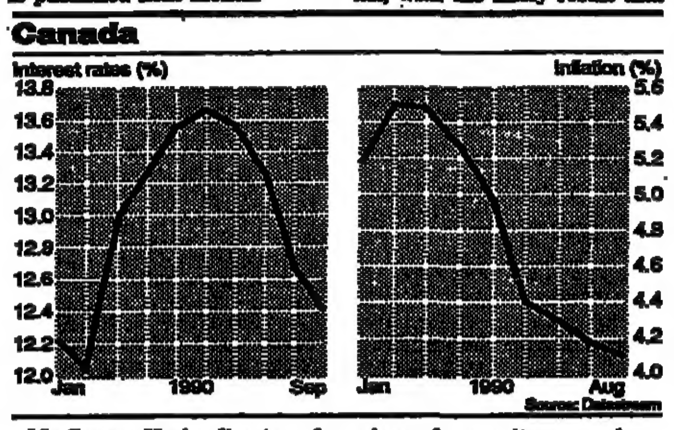
With high interest rates holding up the value of the Canadian dollar, many export-oriented industries – such as forest products and steel – are also feeling the pinch.

Gross domestic product shrivelled by 0.4 per cent in the second quarter and, although no figures are yet available, almost certainly contracted again between July and September.

Mr Wilson has acknowledged that, on the technical definition of two quarters of negative growth, Canada is now in a recession. He has forecast real growth of 1 per cent for 1990 as a whole.

The full impact of the higher oil price will probably not become apparent until the consumer prices index for October is published next month.

Canada



Mr George Vasic, director of economic research at consultants DRI/McGraw-Hill in Toronto, estimates that each US$10 rise in the price of a barrel of oil will raise the CPI by 1.5 percentage points in the first year, rising to a cumulative 2.8 points in the third year.

There are two other concerns on the inflation front: the impact of a 7 per cent goods and services tax (GST) due to take effect next January; and a not-unrelated drive for big wage settlements.

The finance department estimates the GST, an across-the-board value-added tax, should pump up inflation early next year by no more than 1.25 percentage points. The new tax will replace a 13.5 per cent manufacturers' sales tax, with the likely result that prices of some items, such as motor cars, will fall on January 1. The official estimate of a 1.25 point GST price jump is likely to be the limit of the central bank's willingness to accommodate the new tax in monetary growth.

Mr Crow, who has gained a reputation as one of the industrial world's most ardent anti-inflation crusaders, noted that "monetary policy must guard against the risk that the expected *jump* in consumer *prices* will trigger an inflationary round of compensating increases in incomes and prices".

But the unions are sceptical of government predictions of the GST's impact on prices and are pressing hard for wage increases well above the rate of inflation.

Despite slowing economic activity, Canada's unit labour costs grew at an annual rate of 6.5 per cent in the first three months of this year, up from 5.9 per cent in the opening quarter of 1989.

Workers at Ontario Hydro, the province's power utility, won a 7.9 per cent pay rise. Similarly, settlements negotiated so far by Canadian motor workers are more generous than those agreed to in the US. And workers at Stelco, the country's second biggest steelmaker, have been on strike for more than two months in support of wage claims.

Wage pressures may abate in the months ahead as demand weakens further. The Bank of Canada will thus have slightly more latitude to bring interest rates down further.

Mr Vasic predicts a fall of another 1.5 percentage points by the end of 1991. A quick end to the Gulf crisis and a drop in oil prices could lower rates even faster.

Against this background caution is likely to remain the watchword. The Bank of Canada badly misjudged the mood *of markets* and the condition of the economy earlier this year when it allowed a sudden ¼ percentage point drop in the Bank rate on the basis of what it thought was a serious weakening of business activity.

Not only was the economy steaming ahead but the fall in interest rates sent the Canadian dollar into a virtual free-fall. Since then the uncertain political climate following the breakdown of the Meech Lake constitutional talks last June has raised the risk of another run on the dollar if lenders are not given a worthwhile premium on their Canadian securities.

A sharp drop in interest rates – without a corresponding decline south of the border – and a fast-falling currency could also open the door to imported inflation. The surge in the Canadian dollar from 72 US cents at the end of 1986 to its current level of more than 86 cents has offset at least some domestically generated inflation.

Economists are virtually unanimous that the dollar is more likely to move down rather than up over the next 18 months.

The Bank of Canada, with its eye on inflation, would probably prefer a shallow decline. But its task will be made more difficult if either the economic or political climate deteriorates further.

Souter wins strong backing from Senate

By Peter Riddell

JUDGE David Souter will be sworn in as a member of the nine-strong US Supreme Court next Tuesday, after being overwhelmingly confirmed by 90 votes to nine by the Senate late on Tuesday.

The dissenters were all liberal Democrats from the north-east and the west coast, including senators from New Jersey and Massachusetts. They were concerned the judge might cast a decisive vote – in a conservative direction – on issues such as abortion, privacy and civil rights.

Several Democrat senators who backed the judge's nomination expressed reservations because of uncertainty about his views, but they argued he was the best that could be expected from a Republican president.

The confirmation of Judge Souter, President George Bush's first nomination to the Supreme Court, became a certainty after impressive performances during confirmation hearings, when he appeared fair-minded and balanced.

Senator Joe Biden, Democrat chairman of the Senate judiciary committee, which recommended the confirmation by 13 votes to one, said he did not believe the judge was "the sort of man who would run roughshod over the constitution".

However, women's rights groups defending freedom of choice over abortion strongly opposed the nomination.

Noriega on murder charge

PANAMA has formally charged deposed dictator General Manuel Noriega with ordering the 1985 murder of a government critic whose gruesome death sparked the first protests against the former Panamanian leader, according to a special prosecutor, Reuter reports from Panama City.

The prosecutor, Mr Carlos Herrera, said on Tuesday that he was also preparing to file formal murder charges against former Colonel Roberto Diaz Herrera for the death of Mr Hugo Spadafora.

Brazilian surplus increases

By Simon Fisher in Rio de Janeiro

BRAZIL has declared a treasury surplus for September of 27.851bn cruzeiros ($328m), up from 25bn cruzeiros in August.

Tax receipts so far this year have increased almost 50 per cent in real terms while government spending has been curtailed by 16 per cent compared to the same period in 1989, according to Mr Geraldo Gardenali, national Treasury secretary.

However, just under half the surplus was generated by the compulsory sale to banks of privatisation certificates, which are not included in calculations of Brazil's capacity to pay debt arrears.

Brazilian negotiators will open talks with creditor banks in the US next week. Despite mounting pressure from the international financial community, the government is insisting that payments must come out of the budget surplus.

Brazil will pay only what it can afford, it says, so as not to undermine the economic restructuring programme.

Victoria Griffiths adds from São Paulo: Mr Romeu Tuma, head of Brazil's federal police, has launched an investigation into sharp food prices over the past month, threatening to throw some of the country's leading industrialists into jail.

Mr Tuma is meeting today in São Paulo with representatives of the food and supermarket sectors to demand an explanation for the large price rises.

According to a study by the newspaper Folha de São Paulo, basic food prices surged 21 per cent in September, well in excess of the month's overall 13 per cent inflation rate.

Mr Tuma is concerned that the elimination of controls on food prices over the past few months has led to "price abuses".

The investigation is part of a government squeeze on Brazil's powerful monopolies and oligopolies. The Ministry of the Economy revealed it is fining at least three companies for "economic crimes against the people", as the price abuses were dubbed by President Fernando Collor de Mello.

Newly created laws, such as the consumer defence code, have given President Collor's administration the legal power to take action against such price rises. The Ministry of the Economy said a new list of economic offenders was being compiled. The paints and pharmaceuticals industries in particular are under suspicion of price setting.

Nicaraguan right-wing rebels take control of northern town

By Tim Coone in Managua

A FORCE of about 200 right-wing rebels has seized the northern Nicaraguan town of Waslala and taken control of the main road which links the Pacific and Caribbean coasts of the country.

At least 10 people have been reported killed in the incident, which follows several weeks of unrest in the mountainous interior of the country.

Groups of demobilised Contras have been seizing land owned by co-operatives or state farms in the Waslala region. Their action is to draw attention to the lack of resources being provided by the government to resettle 20,000 former rebels and their families. Several people have already been killed in shoot-outs.

One former Contra leader, now active in the resettlement projects, said: "It is not the policy of our leadership to encourage land seizures... but the conditions in which our people are living are appalling."

He said the $30m (£15.9m) provided by the US government for the demobilisation and repatriation of the Contras "is just a drop of water in the desert" and would run out in December.

Tuesday's seizure of Waslala by an armed force confirms earlier suspicions that not all of the Contras handed in their weapons during last June's demobilisation. It was suspected further arms caches were buried in the mountains.

Mr Daniel Nunez, president of the Sandinista opposition-controlled National Union of Farmers and Ranchers (Unag), the largest peasant's organisation in Nicaragua, condemned the government's economic policy on Tuesday, which he said was starving small and medium-sized farmers of credit "who farm 60 percent of the land in the country".

He supported calls for land and resources to be given immediately to the demobilised rebels "because if we do not resolve their problems there will again be war in Nicaragua".

The economic situation was uniting the Sandinistas with their former Contra enemies against the government and the big business sectors "because we are facing the same problems," he said.

Mr Carlos Nunez, one of the top nine Sandinista leaders and the intellectual author of Nicaragua's present Constitution, died of a heart attack in Havana on Tuesday, during a check-up on a prolonged illness from which he had been suffering. He was 45 years old.

Bahamian PM opens doors for hotel industry

Sir Lynden Pindling, the Bahamian prime minister who is spearheading a drive to boost the hotel industry, has had his efforts rewarded with a two dollar tip, Reuter reports from the Bahamas.

Mr Pindling, who has just assumed the portfolio of minister of tourism, spent his first day on the job as a bellboy at a Paradise Island hotel on Tuesday. "Welcome to Paradise," he told visitors. One gave him the tip. Mr Pindling said he would work at various jobs at hotels in an attempt to instill a new attitude in the industry.

Western Areas Gold Mining Company Limited ("WAGM")
Reg. No. 59/03209/06

Elsburg Gold Mining Company Limited ("Elsburg")
Reg. No. 65/10726/06

South Deep Exploration Company Limited ("South Deep")
Reg. No. 88/03931/06

(All companies incorporated in the Republic of South Africa)

A proposed offer for sale by WAGM to its members of its entitlement to 16 123 390 fully paid shares of one cent each in South Deep and a listing of South Deep.

Further to the announcements on 21 September 1990 and 1 October 1990, WAGM announces that The Johannesburg Stock Exchange ("the JSE") has granted a listing for the renounceable (nil paid) letters of allocation ("letters") pursuant to the offer by WAGM to its members which include the members of Elsburg (other than those members whose addresses, as recorded in the WAGM and Elsburg share registers, are within the United States of America or Canada).

These letters will be listed from Monday, 8 October 1990 to Wednesday, 31 October 1990. A listing has also been granted by the JSE with effect from Thursday, 1 November 1990 for 39 416 000 ordinary shares of one cent each in South Deep.

South Deep has decided that it would be premature to apply for a listing of the company on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited prior to the completion of the current exploration and development programme. The directors shall, however, review the position once this stage of the development has been concluded.

The timetable for the listing of the letters and for the listing of the fully paid ordinary shares of South Deep, as approved by the JSE, is as follows:–

Record date for the WAGM offer – last day for WAGM and Elsburg shareholders to register for the offer – close of business on	Friday	5 October 1990
Listing of the renounceable (nil paid) letters of allocation commences on the JSE	Monday	8 October 1990
Offer by WAGM opens at 09H30	Friday	12 October 1990
Last day for dealing in the letters of allocation on the JSE	Wednesday	31 October 1990
Last day for splitting letters of allocation by 14H30	Thursday	1 November 1990
Listing of the shares of South Deep commences on the JSE	Thursday	1 November 1990
WAGM offer closes – last day for acceptances and payments to be made by 14H30	Friday	2 November 1990
Last day for late postal acceptances by 14H30	Wednesday	7 November 1990
South Deep share certificates posted on	Friday	9 November 1990

The WAGM and Elsburg offer circular, including the renounceable (nil paid) letters of allocation and the South Deep prospectus, will be posted to members of WAGM and Elsburg by Friday, 12 October 1990.

The documents relating to this offer will be available for inspection from 5 October 1990 at the offices of The London Secretaries, at the address set out below.

The London Secretaries
Barnato Brothers Limited
99 Bishopsgate
London EC2M 3XE

Johannesburg
4 October 1990

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Investors given incentives to buy electricity shares

By David Thomas and Clare Pearson

A PACKAGE of incentives designed to make the sale of the regional electricity companies the most attractive privatisation yet for individual shareholders was announced yesterday.

The incentives will result in a return of more than 30 per cent in the first year to many small shareholders, according to estimates made by Kleinwort Benson, financial advisers to the government.

The incentives were attacked by government critics as evidence of ministers' determination to avoid further mishaps to the electricity sale, the biggest and most complex privatisation yet.

Mr Frank Dobson, opposition energy spokesman, said it showed the government to be "rather desperate to unload the electricity shares".

More than 2m individuals have so far registered with the electricity share information office, a figure which government advisers believe will eventually swell to 5m-7m. The minimum investment in the sale of the electricity companies, due to occur in late November, will be about £250 for 100 shares.

Customers investing in their local electricity company will be eligible for £18 worth of vouchers to offset against their electricity bills for every £250 invested, up to a maximum of £270 of vouchers on an investment of about £3,750.

Dobson: "desperate" move

Alternatively, investors in their local company can apply for one bonus share for every 10 shares, up to a maximum of 300 bonus shares on an investment of about £7,500.

Investors who are not customers of a local electricity company, including residents of Scotland and Northern Ireland, will be eligible for one bonus share for every 20 shares bought.

The electricity vouchers will be issued in six monthly intervals over the next 32 months starting in August 1991.

The £18 voucher represents a 7.2 per cent return on a minimum investment of £250, higher than the equivalent bonus in the British Telecom privatisation, but less than that in the sales of British Gas and the water companies.

The particularly generous feature of the electricity sale is the phasing of the payments for the shares. The first instalment of 100p will be payable on application, the second of 75p will fall due in October 1991 and the final 75p in September 1992.

Mr David Clementi, a Kleinwort Benson director, yesterday described this as as "the longest instalment period on any privatisation to date".

Uniquely, it means that both the first voucher and dividend will be paid before the second instalment is due.

It is on this basis that Kleinwort Benson has estimated the return at more than 30 per cent for someone making the minimum investment.

Labour leadership defeated on defence

By Philip Stephens, Political Editor

A VOTE by the Labour Party conference in favour of deep cuts in defence spending yesterday dented Mr Neil Kinnock's attempts to reassure voters that his party would adopt a cautious and pragmatic approach to disarmament if it won the next general election.

Delegates in Blackpool voted overwhelmingly to back a resolution calling for Britain's spending on weapons to be cut by a Labour government to the average level of other European nations to finance increased expenditure on the welfare state.

No precise figures were attached to the reductions.

However, various calculations suggested that at today's prices the resolution would imply savings of £5bn-£9bn a year from the £21bn defence budget.

The vote was immediately disowned by the party leadership, who insisted that Labour's policy would remain to seek gradual reductions in defence spending in step with multilateral arms negotiations.

Mr Kinnock shrugged off the defeat, describing the motion as "a wish list that nobody can really dislike but nobody can deliver".

He said the "resolution will not be the one that will be the policy of the Labour government. That policy will be one of providing an effective defence for Britain's interests and doing it on the basis of the funding necessary".

The Labour leader also drew comfort from separate votes endorsing the party's stance on the Gulf crisis and rejecting calls from some delegates for the party to revert to its policy of unilateral nuclear disarmament.

A statement on Iraq's invasion of Kuwait approved by the conference lent its support to Britain's contribution to the multinational force in Saudi Arabia.

It also left open the possibility that Labour would support Britain's participation in military action against Iraq without a specific United Nations resolution authorising such a move.

It stressed, however, that the sanctions applied against President Saddam Hussein should be given time to work and warned that any military action taken without overwhelming international support could wreck the chances of a lasting settlement in the region.

Timetable of power sell-off gives scope for profit

Clare Pearson compares the latest government offer with other privatisation strategies

AT first glance, those who have taken part in previous government privatisations may see little new on the menu of incentives being offered to private shareholders in the 12 regional electricity companies.

In particular, they bear a close resemblance to incentives provided in last year's flotation of the 10 water companies.

That is not surprising since, as in the case of the water companies, they are designed to encourage people to buy shares in their local companies: previous privatisations lacked this regional dimension.

Closer inspection, however, reveals electricity differs from all previous privatisations in one notable respect.

This hinges on timing, and it has opened up the opportunity for the canny investor to achieve a handsome return on his initial investment, provided he buys shares in the company of which he is a customer.

Investors in British Telecom and British Gas became eligible for vouchers only after they had made the second payment on the shares, which became due during the midsummer of the year after the flotation. Investors in water, similarly, could get the benefit of the initial cash discount only if they made the second payment.

But, in the case of electricity, vouchers worth £18 for every £100 invested, up to a maximum of 1,500 shares, will be sent to eligible investors next August. This is before they pay their second instalment, due next October.

They will also receive a dividend payment, worth about two-thirds of what the companies would have expected to make in a full year, in September. Only in the following month will they be asked to make the second payment, expected to be about 70p on the indicative fully-paid share price of 250p.

The official explanation for this change in timetable is the number of other calls on the market during the earlier part of next year. Before the end of July, the Government plans to sell the generators and the Scottish electricity companies, while also asking for the third payment instalment on water.

Yesterday, Kleinwort Benson, the Government's financial adviser, said that, putting the voucher and the expected level of dividend payment together, the shares would provide a return in the first 12 months of more than 30 per cent. The person who sold his shares before making the second payment stood to do even better.

It is also worth noting, before getting carried away with the Government's generosity, that the vouchers look much less startling as a percentage of the fully-paid value of the shares.

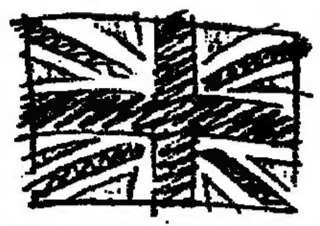
Indeed, they appear almost stingy compared with the 8.3 per cent discount provided on water, which was well ahead of the British Telecom vouchers, worth 6.9 per cent on the fully-paid share price, and gas vouchers worth 7.4 per cent.

That, according to Dewe Rogerson, the Government's marketing advisers, gives us no clue as to what was thought about the relative attraction of water shares when the incentives were devised.

It was simply that, because shareholders were offered a cash discount rather than a bill voucher, its value – set as close to other privatisations as possible – had to be set at a round number. Cash discounts were chosen because of the complexities of the water billing system, which made offering vouchers impracticable.

However, with electricity, it has been possible to revert to the bill voucher: an incentive apparently preferred by the electricity chairmen themselves, who see it as enhancing the psychological links between shareholder and local investor.

BRITAIN IN BRIEF



Japan starts more UK businesses

The number of Japanese limited companies in the UK has increased from 150 in 1987 to more than 200, according to a report by Jordans, the market research company.

Over the same period, the average annual turnover of those companies has grown from £33.1m to £53.9m – an annual growth rate of 20 per cent.

Only 10.4 per cent of the companies have a turnover in excess of £100m a year and are not particularly profitable. More than 20 per cent of the companies reported a loss before tax last year. Average profit margins are less than 2 per cent.

The type of Japanese business locating in the UK has changed, says the report. The earliest companies tended to be suppliers of electrical and electronic goods. These still represent 34 per cent of Japanese concerns in the UK. Most recently there has been a growth in the number of concerns involved in services and the automotive sector.

Belfast attracts 400 new jobs

The Inland Revenue is creating 400 jobs in Belfast, a move which marks the province's biggest success to date in attracting office work from south-east England.

Two offices are being set up in the city centre to handle tax refund work arising from changes next April in the taxation of interest paid by banks and building societies.

The Industrial Development Board, Northern Ireland's main job agency, calculates that a company or public body, employing 200 people in the south of England could save £1m a year by moving to the province. Savings arise from lower office rents, low turnover of staff and absence of a pay supplement to cover higher living costs in London.

FT wins award for best design

The Financial Times has been named Britain's best-designed national daily newspaper in the 1990 National Design Awards. It was the overall winner in the national daily category and also won the award for the best news pages.

The judges highlighted the clarity of the paper's presentation and coverage of this year's budget, which they praised for its "superb text treatments" and "excellent use of space".

Other awards in the national daily newspaper category went to The Guardian, for its features pages, and The Daily Telegraph for its sports coverage.

Green guidelines to be drawn up

Environmental guidelines for public sector investment decisions are to be drawn up for the government by management consultants at KPMG Peat Marwick.

The plan to publish guidelines to help government departments appraise policies with implications for the environment were announced in last week's environment policy document.

Mr Chris Patten, the environment secretary, announcing Peat Marwick's appointment, said: "We are asking KPMG to advise us on good practice which will help policy makers in a number of departments. We are not looking for rigid rules, but practical advice which will be accepted and used."

Patten: wants good advice

Jaguar steps up Italian sales

Jaguar, Ford's luxury car subsidiary, is to form a joint venture company with two Italian partners to import and distribute its cars in Italy. Jaguar Italia, to be based near Rome, will be 26 per cent owned by Jaguar Cars. The other 74 per cent will be split equally between its two current importers.

These are Milan-based Bepi Koelliker Automobili, which has traditionally handled Jaguar's sales in northern Italy, and Rome-based Fattori Montani, which has been responsible for sales in central and southern Italy.

The new structure has been devised better to manage Jaguar's rising sales in Italy. In 1985, Jaguar sold only 350 cars in the country. Last year this rose to 850 and this year is expected to reach 920.

CIN expands its business

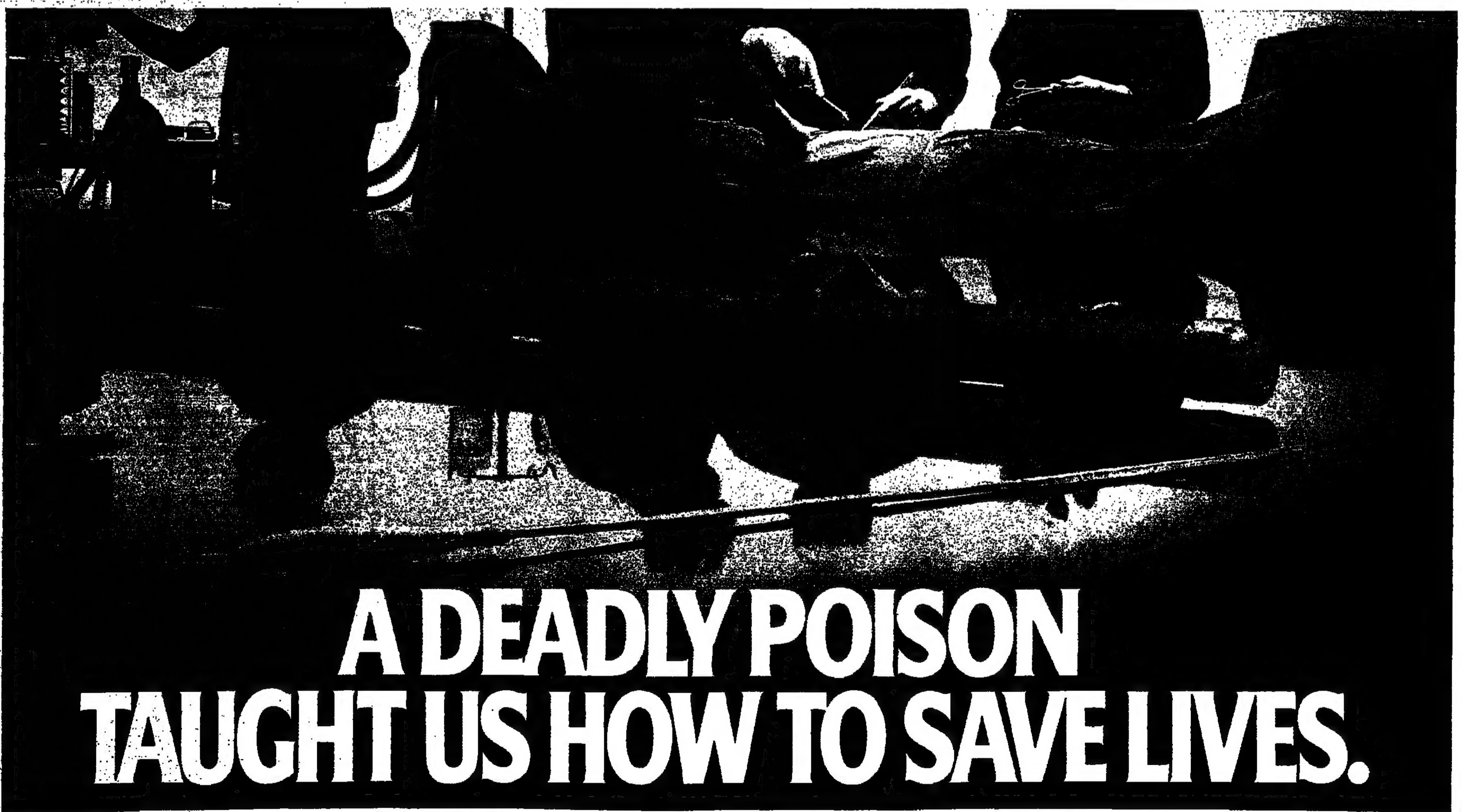
Venture Managers, the venture capital arm of the British Coal Pension Fund, has taken over the management of the unquoted investment portfolio of Barclays Bank Pension Fund. Barclays has just £12m worth of unquoted investments but CIN expects to increase this to £100m within a very short period.

CIN will also take over the £200m unquoted investment portfolio of Globe Investment Trust at the end of November following the British Coal Pension Fund's successful £1.1bn takeover bid for Globe.

Authorities advised on IT

Practical guidance for local authorities on standardising and simplifying costing and charging for information technology (IT) services is provided in a paper published by the Audit Commission.

The Commission, an independent body which advises local authorities on efficiency, believes that the highest IT standards are essential as a result of the increasing pressure on councils to deliver value in providing services.



Shot silently through a simple blow pipe, the dart barely penetrates the skin. Yet every hit is fatal.
Within 30 seconds the victim's muscles relax so completely that breathing stops. Because the tip of the dart has been dipped in an extract from the Chondodendron plant: Curare.

This is how Amazon Indians stalk their prey. Just as they have for centuries. But it was in 1942 that curare first brought about a major change in surgical science. Before that time ether was used to induce a state of unconsciousness as well as muscle relaxation. Anaesthetic control became a reality only after curare took over the latter task.

However, there were drawbacks: the danger of allergic reactions and the risk of a drop in blood pressure.
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UK NEWS

British Rail faces fare rise after property price slump

By John Gapper, Labour Editor

PROPERTY sales at British Rail are expected to be £120m below forecast this year, which will mean the corporation having to raise at least an extra £100m in cash flow by next March, according to BR's internal forecasts.

The fall in property sales, which have offset losses on BR's rail operations for the past two years, is likely to put pressure on rail fares. Mr Jimmy Knapp, leader of the RMT transport union, predicted yesterday that it would lead to fare rises.

A BR internal memorandum disclosed by the RMT says that BR was this summer expecting group profits on extraordinary activities including property and asset sales to be £252m in this financial year - £113m worse than forecast.

The memorandum says BR's property board had reported that "the depressed market could lead to a shortfall on the property sales of up to £120m". It says this will increase the external financing requirement for the corporation.

The fall in property sales at BR is a further indication of the fragility of the property market.

It will also make it more difficult for BR to reduce its dependence on government

Knapp: fares up 20%

subsidy and loans in line with targets.

The BR memorandum by Mr Stanley Whittaker, director of finance and planning, says the corporation will breach the government-set external financing limit of £700m for 1990 unless it achieves a cash-flow improvement of £100m-£150m.

It predicts group profit on ordinary activities of £38m, which is £14m better than forecast. Investment is expected to be £868m, or £16m more than forecast. Each of the figures excludes additional safety requirements put on BR by the government.

Mr Knapp predicted the shortfall in property sales meant BR would "almost certainly be imposing on the travelling public another swingeing round of fare increases of up to 20 per cent". He said it damaged BR's policy of subsidising rail operations through property.

BR increased fares overall by 9 per cent in February, and made a set of rises to fares on regional services this week. They included rises of between 9 and 14 per cent on London Midland services and about 3 per cent on Western Region.

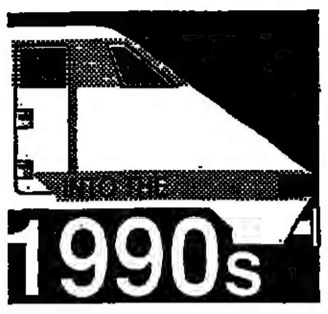
The corporation said it could not comment on the memorandum. However, it insisted that a fall in profits on extraordinary activities would have no direct impact on fares because these were counted under its ordinary activity budgets.

In the last financial year, BR made a profit of £319.2m on property sales, compared with £263.5m on property in 1988-89. In its corporate plan last year, it predicted profits on property and asset sales of £293m this year.

Property sales have made large contributions to overall profits in the past two years.

Fast food pleasure has its slower moments

Richard Tomkins tastes an InterCity feast and rides on a branch line facing cuts



THERE IS nothing to compare with a British Rail breakfast aboard an InterCity train while the countryside whistles past at 125mph. Nothing tastes so good.

It is one of life's great pleasures: two pork sausages, two rashers of grilled back bacon, a fried egg, mushrooms, tomatoes, sauté potatoes and a piece of fried bread, eaten in the first-class restaurant car and preferably at someone else's expense.

Insofar as anybody ever has anything good to say about BR, they usually reserve it for InterCity. This is the passenger operation that BR has most nearly got right: the jewel in its tarnished crown and, after Railfreight, its most profitable business.

As the 9.30 am from King's Cross to Darlington thunders northwards through Hertfordshire, my one reservation is the roughness of the ride.

BR's determination to wring ever-higher speeds out of tracks laid down in the last century means that manoeuvring a sausage into the correct orifice can present a formidable challenge.

My worries, however, prove uncalled for. We have only been travelling about 40 minutes when our train shudders to a halt in a field somewhere south of Huntingdon. "An automatic barrier has failed at a level crossing," the train announcer declares. "We will be delayed about five minutes."

Nobody seems surprised when we are still there half-an-hour later. The delay does, however, allow time for the safe ingestion of breakfast. Less happily, the field view becomes tedious and we do not make up the time so I miss my connection at Darlington.

At 3.45pm, after two train changes, I reach Whitby, a delightful fishing port in North Yorkshire. Its harbour is the narrow estuary of the River Esk, whose winding route down from the North York Moors is followed by the Esk Valley railway.

This very minor branch line escaped the Beeching axe in the 1960s because the villages it serves are far from the nearest main road.

But where Beeching failed, BR's provincial sector today seems determined to succeed, for the already sparse service is now being cut this week from seven trains each day in both directions to only four.

The case neatly highlights the incompatibility between BR's financial objectives and its social obligations. BR says the line is one of the heaviest loss-makers in the country: for every £1 in revenue, it incurs £10 in costs. The losses have to be stemmed and the cuts it is making will save £100,000 a year.

BR suggests that economies such as these will safeguard the line's future, but the passengers I talk to on the 6.41 from Whitby to Middlesborough the next morning are rather more cynical.

Mr Mike Smith, a boilermaker travelling to work in Grosmont, says: "It's a deliberate plot to run the services down to the point where the line's unusable. Then they can close it and put the blame on the public for not using it."

It is a wonder that anyone uses the line even now. Never mind the service; the stations have been allowed to fall into an appalling state, all of them unstaffed and many consisting of nothing more than a hideous hut.

Whitby station itself, the gateway to the line, looks as though it was once very pretty. Now it is empty, derelict and heavily vandalised.

Even so, use of the line has risen by a remarkable 30 per cent over the past five years, largely because of a marketing campaign that has concentrated on selling the line's scenic qualities to tourists.

BR says the cuts it is making will not affect the line's viability because the trains being axed are the early morning and evening ones which are hardly used. I will be lucky to find even half-a-dozen people using the 6.41am from Whitby, it says.

Wrong. At Whitby, there are five of us on the two-car train – me, the boilermaker, someone in the fish business and two tourists.

At Grosmont we are joined by a railwayman, at Egton by a student, at Lealholm by another student and a villager on a shopping expedition, and then at Danby by a worker from a village for handicapped people.

Three more board at Kildale – two shoppers and a woman who has been on a twice-weekly visit to her mother – and at Great Ayton we are joined by a man going to work at Middlesborough Magistrates' Court.

By the time we reach Middlesborough, we have 26 aboard and the little train is feeling quite crowded.

Most of the 14 passengers I speak to have no convenient alternative to the rail service which is about to be cut and will face considerable hardship as a result of the cuts.

Two questions. If the dawn train from Whitby can attract so many passengers on a line which is so badly neglected, how many more travellers would be encouraged to use the line if services were increased instead of cut, and if the stations were provided with basic amenities?

And would any other European railway get away with treating its customers so poorly?

On the outward journey to Whitby, I had fallen into conversation with Mr Michael Dallas, a Dutch sociology student from Amsterdam, who was spending a week travelling on BR "for pleasure."

He said: "I like trains. I have travelled extensively on the railways in the Netherlands, West Germany, East Germany, Belgium and England."

And what did he think of Britain's railways?

He pondered a moment, looked at me solicitously, and said: "Well, they are better than East Germany's." It is the faintest praise I have ever heard.

Bank of Scotland maintains strength

By David Lascelles, Banking Editor

BANK of Scotland managed to ride the UK economic downturn to produce a 9 per cent increase in interim profits, matching market expectations.

The Edinburgh-based institution made £105.5m before tax in the six months to August 31, up from £96.9m last time when results were hit by an exceptional £12.6m charge for bad Third World debts. This was equivalent to a rise in return on equity from 23.9 per cent to 24.1 per cent.

Mr Bruce Patullo, chief executive, said: "The underlying business has been remarkably buoyant."

This was partly because business conditions in the north of the UK had been better than in the south. Also, there had been a reduction in competition in the banking market which had resulted in improved margins.

In addition, the group had benefited from a further fall in the ratio of expenses to total income. This was 53.1 per cent, down from 54.8 per cent.

The bulk of the earnings came from the Bank of Scotland itself where profits were £76.1m (£71.4m). Business had grown in most areas. Net interest earnings rose 15 per cent. Although the bank had to resort to the wholesale money markets to fund growth, the cost impact was offset by success in attracting more retail deposits. Non-interest income rose 16 per cent, helped by expanded credit card operations.

The bank continued its policy of making a formula-based charge for general provisions against bad debts. But it also sharply increased its specific provisions to £56.7m, up from £21.1m the year before. It also reallocated £10m from the general to the specific reserve.

NWS Bank, the Chester-based finance house, showed a 31 per cent increase in profit to £28m, defying the overall trend in the sector.

This reflected success in maintaining margins, and the benefits of investment in new systems.

Total assets rose 23 per cent to £20.6bn. The capital ratios were 5.5 per cent for Tier 1 and 9.8 per cent for Tier 2, which Mr Patullo said was satisfactory.

An interim dividend of 2p has been declared, an increase of 38 per cent.

The challenge to be more business-like

Hazel Duffy probes why British Chambers of Commerce trail behind European counterparts

BRITAIN'S chambers of commerce today launch an attempt to catch up with their better-resourced and more sophisticated continental counterparts.

The plan, backed by government money, and personnel seconded from the Department of Trade and Industry, is designed to enable the chambers to give more help to business, particularly to the thousands of smaller companies which are still unprepared for the single European market.

The most tangible improvement will be an information network covering the products and services of 70,000 companies which belong to larger chambers. This will be working by July 1991.

The previous lack of such basic data points to the scantiness of service which is offered by the chambers.

The national chamber movement is based on a loosely federated group of local chambers. Membership is voluntary, unlike in Germany, France, Italy and Spain, where companies must belong to their local chamber, for which a fee is levied.

British chambers are divided on the wish for a statutory system. But the question is academic, at least for now, because the government – pledged to cut "burdens on business" – cannot be seen to impose an extra charge and obligation.

Increasingly, however, the better-organised and more forward-looking chambers realise that the lack of resources inherent in the voluntary system denies them an opportunity to match the breadth and depth of services of their continental counterparts.

German chambers, for instance, are prime organisers of training. In 1986, they provided 1.8m apprenticeships.

Some British chambers organise training, but it is on a smaller scale. A few run their own training schools and as more companies have cut in-house training, such schools have filled a gap and have also provided an important source of revenue for the chambers.

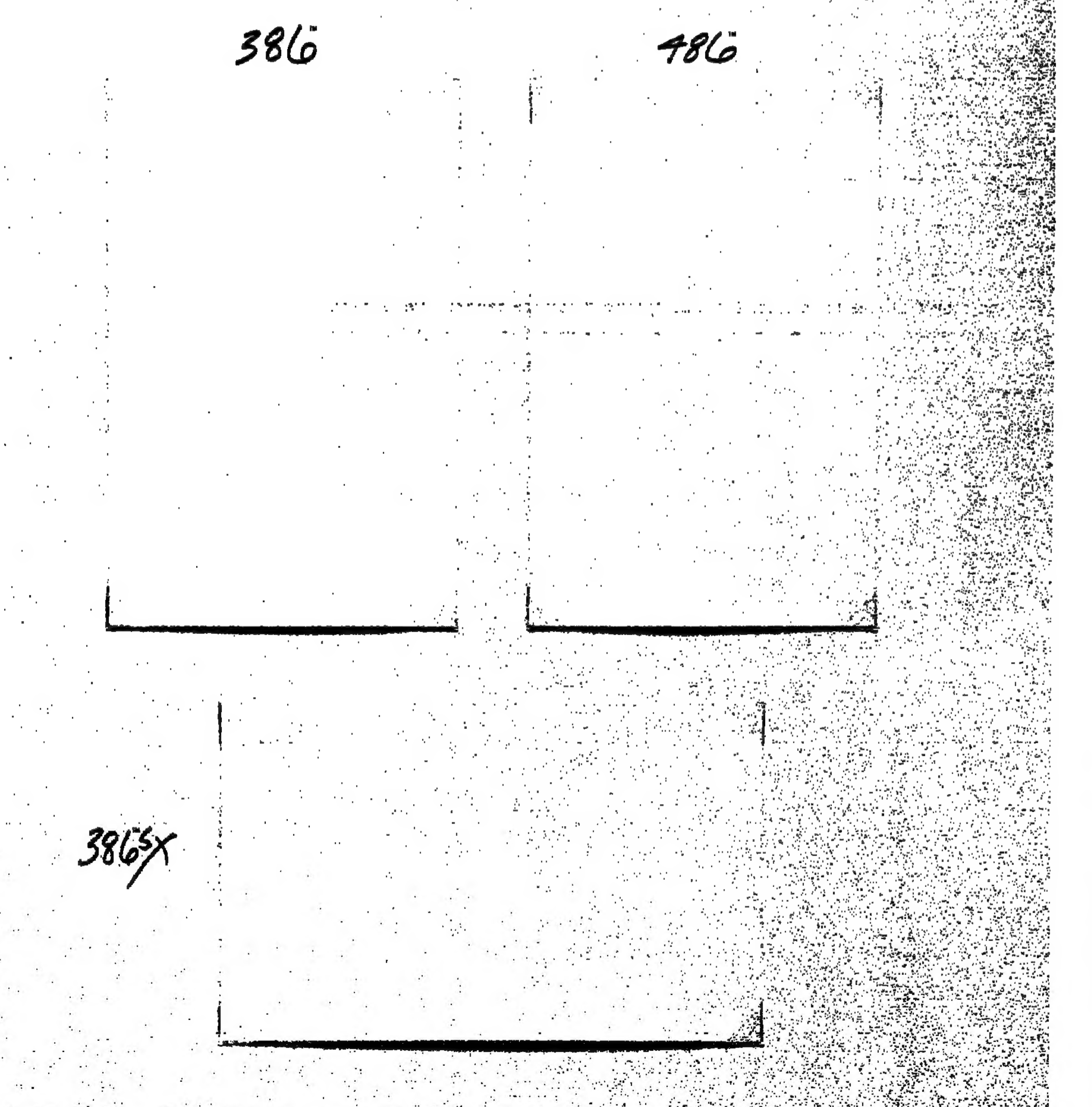
However, the essentially patchy state of training was the main reason Mr Norman Fowler, then Employment Secretary, decided not to give the chambers responsibility for organising training provision, as some would have liked.

The outcome of that debate was the setting up of the government-backed Training and Enterprise Councils (TECs).

Another example where the government has not trusted the chambers to provide an effective service is in the transfer of technology. In Italy, chambers have set up 40 special centres for the exchange of information on technology at the local level. In Britain, the DTI prefers to run its own schemes nationally.

With a few exceptions, the chambers are still seen locally as unenterprising, even by their supporters.

Mr Miles Middleton, the president of the Association of British Chambers of Commerce, is determined to change that image, and to boost membership from the current 90,000 companies to 150,000 by the end of 1994. A senior partner with Coopers Deloitte management consultants in Newcastle, and the architect of the new chambers strategy which is now being implemented, he is in a unique position to bring the British chambers at least to the starting point for 1992.



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MANAGEMENT: Marketing and Advertising

Playing Captain Nemo is no longer just a dream, writes Martine Leventer. It has been a reality since the mid-1980s as more and more leisure submarines have taken to the seas off the Caribbean, Hawaii, and Guam, as well as into the Finnish lakes. To date, though, these have been vessels carrying 30 to 40 tourists. Now Accor, the French hotels group, is set to offer rides next year in a miniature submarine like the one above as part of its marketing effort to lure tourists to Martinique and Guadaloupe. The company chose a high-profile occasion to reveal its plan – a television programme it sponsored featuring the manufacturer of the vessel, SMAL Industries. SMAL, a French start-up company founded in 1988 by a 34 year-old engineer, Jean-Michel Onofri, first developed a two-person submarine – one passenger and the pilot. Last year it was offering for FFr 350 a 45-minute ride off the Mediterranean coast, as well as a ten-hour training course for aspiring pilots. Onofri believes that a low-priced submarine that is inexpensive to operate can find a market among seaside hotels, resorts and coastal municipalities trying to lure tourists. The SMAL submarine, which has been patented in France and the US, comprises a light steel hull, a transparent plastic cylinder (produced in the UK) allowing 360-deg vision, air tanks, sufficient oxygen for up to 72 hours beneath the surface and telephone communication with a surface boat. There are three versions at the moment - for one, two or five people. Accor will be using the five-person model.

Liquidity under more pressure as overheads continue to rise

Alice Rawsthorn looks to the causes of current doom and gloom in advertising

This article is not for the faint-hearted.

Touche Ross, the accountancy group, has just published its annual survey* of the profitability of the UK's leading advertising agencies. Last year's survey made gloomy reading. This year's is even gloomier.

The advertising industry, according to the survey, having been "under-capitalised and under-managed for half a decade", now faces mounting liquidity problems. Yet, as the UK economy slips into recession, advertising agencies are still allowing overheads to rise far more quickly than revenue.

Almost all the indicators for the industry's finances are worse in this year's survey than the last. Profit margins and profit per employee have fallen for the first time since the survey was started six years ago by Spicer & Pegler – now part of Touche Ross.

The number of agencies registering a deficiency of net current assets has increased. The level of their long-term loans is far higher. Interest charges are taking a larger chunk out of pre-tax profits.

No one in the advertising industry needs reminding about the traumas of the past year or so. The problems posed by the slump in advertising expenditure have been aggravated by the financial burden of the borrowings and liabilities built up in the industry's over-ambitious expansion in the mid-1980s.

Some agencies have suffered falls in profit. Others have lurched into losses. Share prices have plunged across the marketing services sector. Saatchi & Saatchi, once the sector's undisputed star, has seen its shares collapse. One publicly quoted agency, Yellowhammer, recently went into receivership.

Touche Ross attributes the industry's difficulties to:

- weak senior management;
- expansion into unfamiliar areas without adequate controls;
- poor financial monitoring;
- over-optimism when incurring heavy financial commitments.

Touche Ross gathers information for its survey from the audited accounts and public documents issued by 50 advertising agency groups. These companies, according to the new survey, have experienced a sharp fall in profitability.

The average profit margins – operating profits as a percentage of turnover – of the companies surveyed fell from 2.7 to 2.1 per cent. Operating profit margins on gross income declined from 12.8 to 10.2 per cent. Gross margins slipped from 21 to 20.7 per cent of turnover.

The survey suggests that the advertising industry also became less efficient. The level of productivity – operating profit per employee – fell by 19 per cent. This is due to a 4 per cent rise in labour costs and a 5 per cent increase in overheads at a time when gross income rose by just 2 per cent.

At the same time the industry's financial position is weakening. Nearly half the groups surveyed suffered a deterioration in working capital. The net current assets of the 50 groups fell from £149m to £21m and their aggregate cash balances declined from £187m to £13m.

A number of companies also have heavy earn-out commitments which are not provided for. These include WPP, Saatchi, Aegis and Shandwick.

The long-term loans held by the 50 groups rose from £480m to £632m. Aggregate interest costs reduced pre-tax profits by more than 17 per cent during the period surveyed compared with 5 per cent in the previous year. Before then interest and investment income had made a positive contribution to profits.

The number of companies with a deficiency of net current assets rose from 16 to 17. The scale of those deficiencies increased significantly. A deficiency on net current assets can be a serious problem for agencies in that it may make it difficult for them to gain credit approval from the Independent Television Association, without which they cannot buy airtime.

This combination of dwindling margins, rising costs and mounting liquidity problems poses a serious threat to the stability of the industry as it enters another difficult year.

Last week the Advertising Association reduced its forecast for expenditure growth from 5 to 3 per cent for 1990. This means expenditure will fall by 6 per cent in real terms. The AA predicts a nominal increase of 6 per cent – implying real growth of 1 per cent on the AA's – for 1991.

Some agencies do seem more stable. Touche Ross singles out Abbott Mead Vickers and Bartle Bogle Hegarty as examples. It considers it significant that neither company has pursued an aggressive acquisition strategy.

Advertising has always been a volatile industry. The fortunes of agencies have fluctuated wildly over the years. One indication of the degree of instability is the fate of the top ten profit earning agencies from the 1984 survey.

Saatchi, which then topped the top ten, is struggling to stabilise its finances after a steep decline in profits. Two agencies – Ogilvy & Mather and J Walter Thompson – have been bought by the WPP Group. Ted Bates is now part of Saatchi and Boase Massimi Pollitt belongs to Omnicom. Allen Brady & Marsh was bought by Lowe which, in turn, has been acquired by Interpublic. Foote Cone & Belding has struck a cross-shareholding agreement with Publicis.

This leaves Geers Gross, still recovering after heavy losses in 1988, and Lopex, recently embroiled in a boardroom row. Young & Rubicam is the only one still in private hands.

Perhaps the most poignant testimony to the industry's volatility lies in the tables for highest productivity and operating profit margins in the latest survey.

The VPI Group lies in second place in the productivity table and Yellowhammer is second in terms of operating margins. Only a few weeks ago VPI returned to private ownership in a rescue deal and Yellowhammer fell into the hands of the receivers.

**Advertising Industry Survey, published by Touche Ross, Hill House, 1 Little New Street, London EC4A 3TR. £95.*

Fate of top ten profit earners surveyed in 1984

Rank	Name	Fate
1	Saatchi & Saatchi Co	Heavy fall in profits
2	Ogilvy & Mather (Holdings)	Bought by WPP
3	Geers Gross	Recovered in 1988 after heavy losses
4	Foote Cone & Belding	Continued losses, merged with Publicis
5	Lopex	Disposed of original agency, replaced by others
6	J Walter Thompson UK	Bought by WPP
7	Ted Bates Holdings	Bought by Saatchi
8	Young & Rubicam Holdings	Continued heavy losses
9	Allen Brady & Marsh	Bought by Lowe, then by Interpublic
10	Boase Massimi Pollitt	Bought by Omnicom

Productivity of 50 agency groups(£ per employee)

	Latest period	Previous period	% change
Gross income*	45,781	44,830	+2
Overheads	41,119	39,072	+5
Operating profit	4,662	5,758	−19
Employment costs	24,324	23,398	+4
Operating margin†	10.2%	12.8%	

*Turnover less direct costs †Operating profit margin on gross income

Grolsch set to tap the capacity of the British lager drinker

Philip Rawstorne reports on the Dutch brewer's move in the wake of the Monopolies and Mergers Commission findings

Grolsch, the Dutch brewer, which in the past decade has carved a £60m niche in the UK's premium packaged retail lager market, will this month expand its operations into the bigger draught market.

Wolverhampton & Dudley Breweries is to put Grolsch on tap in 350 carefully-chosen pubs, mainly in the West Midlands. A second regional brewer is expected to follow suit shortly.

Since the Monopolies and Mergers Commission last year moved to inject more competition into the UK brewing industry by loosening the grip of the national brewers on pub retailing, many overseas brewers have been considering the opportunities opening to them. Grolsch is one of the first to make a decisive move.

Grolsch, with a 15 per cent share of the Heineken-dominated Dutch beer market, decided in the mid-1970s that its growth would depend on an export drive into markets in which it could earn higher margins. It is now sold in 35 countries; exports account for 20 per cent of production but 30 per cent of turnover.

It entered the UK – now its biggest export market with sales of 120,000 barrels – in 1979. The timing was fortunate. The market for premium packaged lagers was underdeveloped, with only two brands of any substance, Holsten Pils and Carlsberg Special Brew, in the sector.

But Grolsch rejected any idea of trying to gain short-term volume sales by a licensing agreement with a UK brewer in favour of a slower growing, but ultimately stronger, independent stance.

Just as important, it set about the long-term task of building the brand by investing consistently in marketing to establish a distinctive identity among UK consumers.

"The result," claims Dermot Magee, managing director of Grolsch (UK), "is that, while many other beers enjoyed short-term, trade-led success, without ever developing into genuine brands, we established a position in the market which enabled us to develop trading relationships with all major brewers and wholesalers."

In the advertising-saturated UK lager market, Grolsch made its initial impact with its packaging. The "swing top" bottle – "You can't top a Grolsch" – has been the focal point of advertising campaigns by Holmes Knight Ritchie, most memorably in a television commercial featuring the bottle's survival in a poltergeist-afflicted kitchen.

"That advertising gave the brand very favourable consumer perceptions and high levels of awareness and trial," says Magee.

Just as Perrier and Coca-Cola have retained the original shapes of their bottles, Grolsch's swing-top will continue to be a potent emblem of the brand; but Grolsch's advertising in the UK this year has switched the emphasis to product quality.

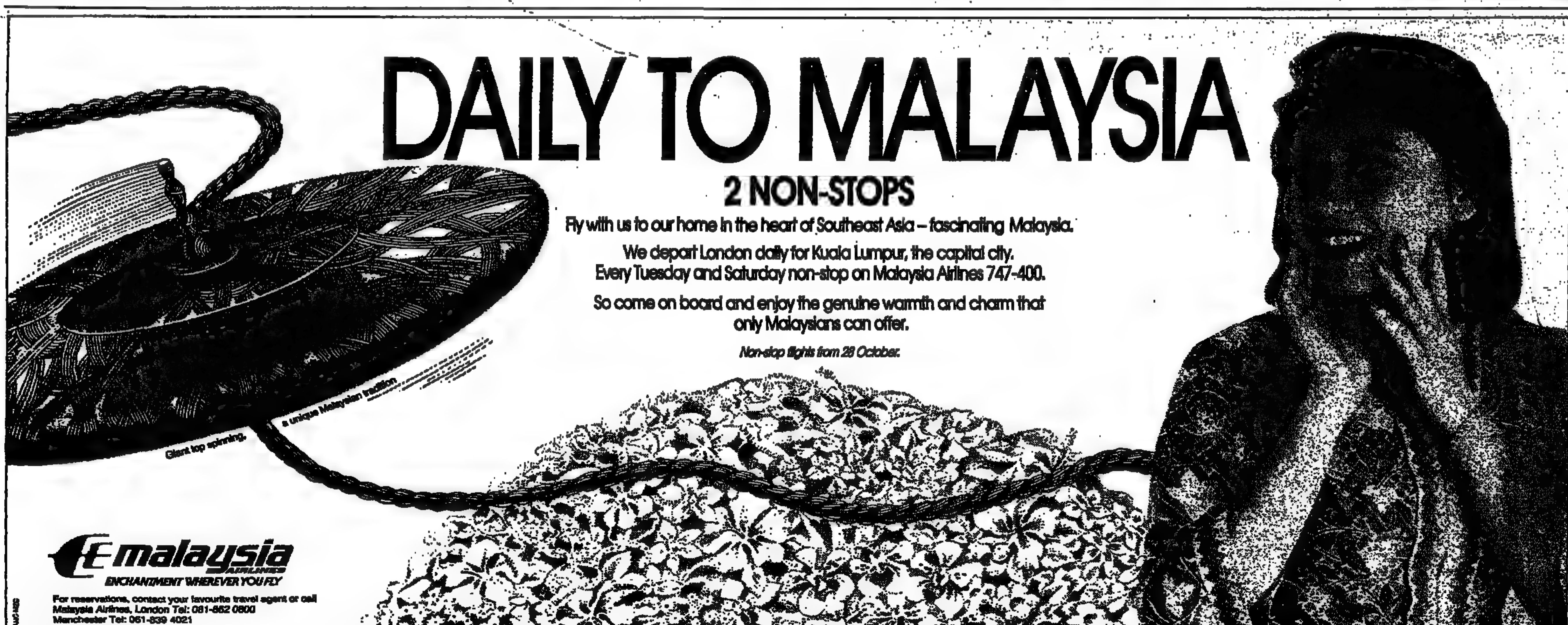
Grolsch jealously protects the purity and flavour of its beer – it is not pasteurised and no preservatives are added. It spends far longer in the final fermentation, or lagering, than most other beers.

Two television commercials now deliver the message that, though most things can be faked, there is only the one Grolsch lager, brewed in Enschede and Groenlo near the Dutch-German border.

The aim is first to establish the consistent quality of the beer whether bottled, canned, or on draught.

The second is to position the brand to take advantage of what Grolsch sees as opportunities arising from changes both in the structure of the UK brewing industry and the demands of consumers.

"We expect premium lagers to double their volume share of the lager market in the next 10 years, as lager itself increases to more than 60 per cent of the total beer market," says Magee. "Brewing and retailing interests will increasingly be segregated. As previously guaranteed tied estate distribution begins to dwindle, retailers will have to cater for more knowledgeable consumers demanding brands that deliver real, rather than imagined, quality."



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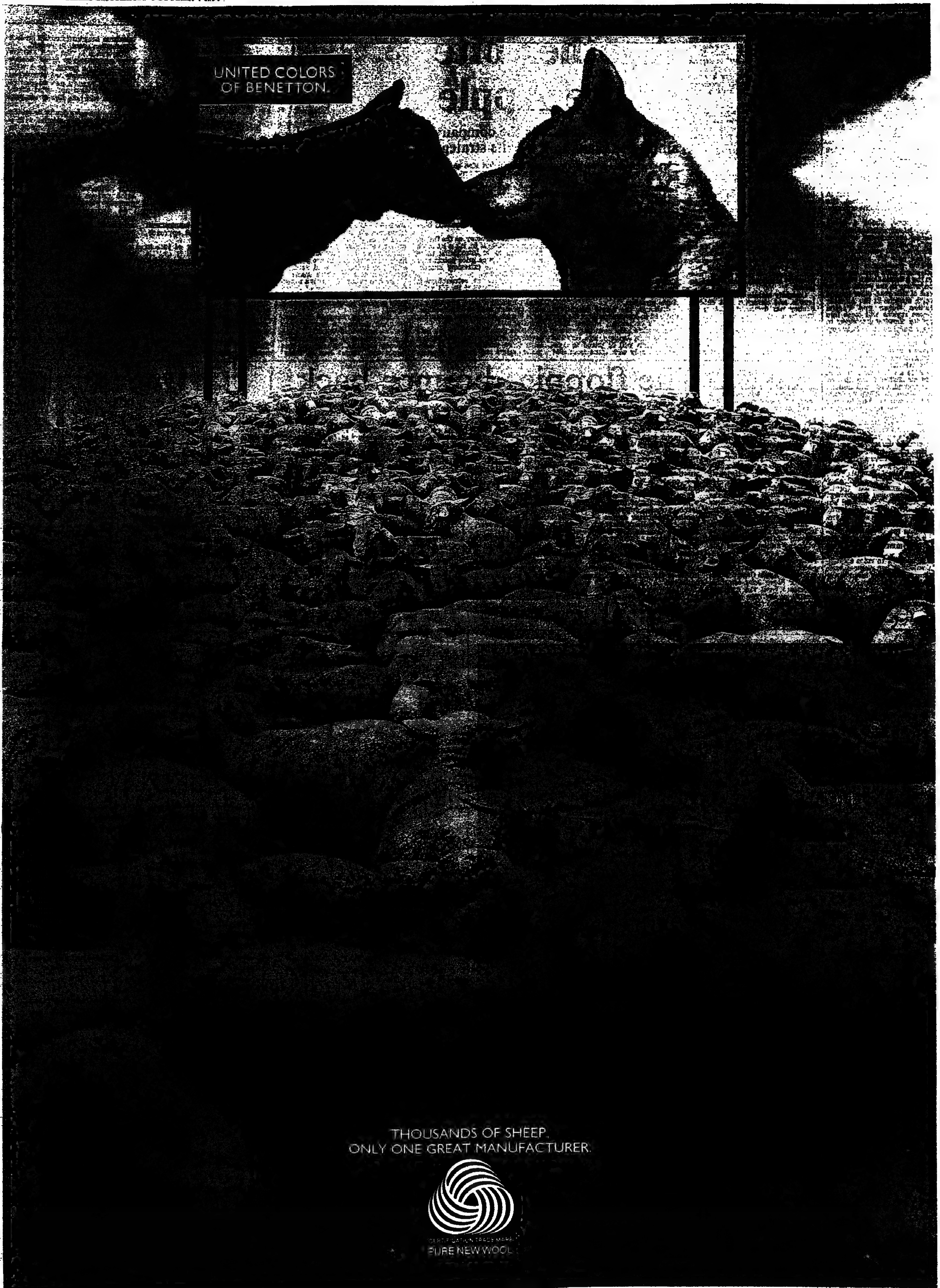
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A phone call from the sky

AIR travellers will soon be able to make international telephone calls and send faxes around the world as they cruise at any point in the skies.

British Telecom will be the first company to provide a commercial satellite communications service for airliners after being authorised to offer this service from its ground earth station at Goonhilly in Cornwall by Inmarsat, the international satellite organisation.

However, about a dozen other telecommunications companies are expected to follow BT's lead in coming months, Inmarsat said yesterday.

The new BT service will enable passengers to make telephone calls from anywhere in the Atlantic Ocean region to anywhere in the world. By the end of this year, other ground earth stations in the Atlantic, Indian Ocean and Pacific Ocean regions will come into service allowing passengers to make telephone calls from anywhere in the world.

Until now, airline communications have been limited in range, capacity and reliability. The satellite system will now provide a telephone service in the air similar to services on the ground. Calls will initially cost about $10 (£5) per minute but the cost is likely to come down as the service becomes more widespread.

KLM Royal Dutch Airlines will become the first carrier to offer commercially telephone services in the air next month. Other airlines, including British Airways, have already conducted airphone trials.

It has taken about six years to develop the Inmarsat aeronautical system, said Guntis Berzins, general manager of the Inmarsat aeronautical services division. "Authorising Goonhilly to offer services represents a major milestone in bringing the benefits of satellite communications to the aviation community," he added yesterday.

In addition to voice communications, other planned aeronautical services include airline operational and administrative messaging and later air traffic service communications.

Paul Betts

Another bite at the Apple

Louise Kehoe describes the company's ambitious plans to revise its strategy

Apple Computer is back on the offensive, gunning to grab market share from competitors and to expand sales of its personal computers to first-time buyers with new low-cost products and a broadly revamped manufacturing, distribution and marketing strategy.

"We made mistakes, but we have learned from them," John Sculley, Apple chairman and chief executive, acknowledged this week as he described Apple's strategy for a bold comeback. Apple will become much more aggressive in its efforts to expand sales over the next 12 months, he claimed.

Apple has had a difficult year, beginning with the departure of several senior managers and disappointing sales over the critical Christmas quarter. The company's share of the world market for personal computers has declined, according to market analysts, from just over 9 per cent in 1989 to about 8 per cent this year.

Competitors have been gaining on Apple since the introduction of Microsoft's "Windows 3.0" program, which gives IBM-compatible personal computers many of the "user friendly" attributes of an Apple Macintosh.

Company morale has been hit by layoffs and stringent cost cutting. Sculley has dedicated most of his time to the urgent effort of bringing new low-priced products to market.

This task all but complete, Sculley emerged this week to kick off Apple's bid to reclaim its star status in the personal computer business.

"The are no sacred cows at Apple anymore," Sculley declared. Among the first to go will be Apple's vaunted 50 per cent profit margins, the highest in the personal computer industry, which Sculley said he is now prepared to sacrifice to the cause of increasing sales volume.

On October 15 Apple will launch three new personal computers aimed at consumers, schools and small businesses, which will be priced "more aggressively than any Apple product in the past," Sculley said.

A "Macintosh Classic" priced at $1,000 (£530) is expected, along with higher performance colour-display models at prices of $3,000 to $5,000. Prices will be consistent, worldwide, Apple promises.

Although the Apple executives declined to discuss details of the new products or pricing, Michael Spindler, Apple's chief operating officer, appointed in January, said that the new models will be priced to compete not only with those from IBM and Compaq but also to challenge the prices of lower-cost clone makers.

While acknowledging that economic uncertainties make this a difficult time to predict results, the Apple executives maintained that their new low-price strategy will likely appeal to cost-conscious buyers.

"In a weak economy, as the United States certainly is in, it's a lot more reassuring to be introducing three major products at price points that are going to be extremely affordable," said Sculley.

In a significant retrenchment, Apple has disbanded its US sales force, originally formed to sell to large corporate buyers, and will sell only through independent resellers, as it always has in other countries, Spindler said.

The decision reflects Apple's new emphasis on improving relationships with third parties including computer dealers and software developers as well as other computer manufacturers such as Digital Equipment, with which it has co-developed networking technology.


John Sculley


Michael Spindler

"Alliances will play an increasingly important role in the personal computer industry," said Sculley. One such alliance which Apple is believed to be considering is a manufacturing deal with Sony of Japan under which Sony would build portable personal computers on Apple's behalf.

Apple has also changed its manufacturing strategy to become more flexible. Acknowledging that it is difficult to predict patterns of demand for new products, Spindler said that Apple will "forget Just In Time" methods of inventory management and adopt a less rigid approach, despite higher costs.

(As an early adopter of just in time, Apple significantly cut its inventory costs by ordering components frequently on an "as needed" basis. The approach has since been widely embraced by US computer manufacturers.)

In a move toward "globalisation" of its operations, Apple will simultaneously launch its new products in 121 countries, shipping direct to resellers from three factories using 38 airlines, Spindler said.

On October 15 an audience of "hundreds of thousands" invited guests around the world will view television broadcasts of the product introduction event, Apple said.

The launch is "the most complex every undertaken by Apple" Sculley said. It will be heralded by a $40m blitz of advertising and promotion. Reflecting Apple's new aggressive stance, television and print advertisements will take digs at competitors.

"It is a lot more fun to be on the offensive," Sculley admits with a grin. Indeed, there is much in Apple's new marketing strategy that is reminiscent of the company's heyday, when it challenged IBM's leadership in the personal computer market with the launch of the first Macintosh personal computer in 1984. Since then, Apple has been more restrained, attempting to project a serious image to corporate computer buyers.

As Apple tries to regain its momentum through sales to individuals – be they consumers, small business owners or teachers – the company is returning to its roots.

"We used to be accused of being a toy computer company, Sculley recalls. Apple's efforts to establish itself in the business market during the past five years now appear to have succeeded at the expense of its traditional strongholds in the education, consumer, and small business segments of the market.

The challenge now facing Apple is whether it can reclaim its consumer appeal while maintaining its hold on a share of the business market. "We have got to demonstrate that we can walk and chew gum," Sculley acknowledges.

The floppies bounce back

A new standard is emerging for floppy discs that not only doubles their capacity but stands to change the way in which personal computers are used. The new standard – known in the computer industry as MS-2 Extra Density – will allow storage of up to 4 megabytes of data on a single floppy.

This is enough space for computer companies to consider designing systems which will allow music, full-motion video and complex photographic-quality colour images on floppy discs – making the computers which use these technologies much cheaper and more flexible.

The first wave of products to use the new disc standard are already starting to appear, with the announcement this week of a new range of workstations from the Next computer group – the company started by Apple Computer co-founder Steve Jobs after his departure from the company five years ago. The new Next range, unique in its handling of high-quality colour graphics and sound, will offer storage on the 4 Mbyte floppy discs.

The previous generation of Next computers did not offer conventional magnetic storage and instead had to rely on more expensive laser-based optical storage technology. While this system offered huge storage capacities, it was comparatively expensive and did not conform to computer industry floppy disc standards.

These factors – combined with the computer industry's reluctance to support yet another computer design – did not help sales of the original Next systems. Use of the new 4 Mbyte floppy disc drives, however, has helped bring the price of the system down; storage media will cost less and there will be a greater choice of disc drive and media suppliers.

Japanese manufacturer Citizen, for example, announced this week that it supports the new disc format and will shortly begin producing 4 Mbyte disc drives to meet the growing demand by manufacturers. Most of this demand is likely to come from the IBM-compatible personal computer sector of the industry – where the "formatted capacity" of the discs will come down to a still-impressive 2.88 Mbytes (twice the current maximum for 3.5-inch floppy discs).

Meanwhile, floppy disc media developers are at work on two higher capacity sizes of floppy disc: the 12 Mbyte and 20 Mbyte floppy disc. Of the new disc formats, however, only the 4 Mbyte is a commercial product today. This is because it is technically one of the easiest to develop – and also one on which broad agreement among floppy disc media and disc drive producers could be reached relatively quickly.

Like many areas of the electronics industry, the floppy disc sector requires a broad consensus among a number of manufacturers before a new floppy disc format can be released.

Not only do floppy disc media makers need to ensure that both drive manufacturers and computer makers will be producing drives and computers that can use a new floppy disc type, but there must be a significant number of them to have an impact on the market.

The recently developed 2 Mbyte, 2-inch floppy disc is a good example of this. Although developed in conjunction with a number of media makers and drive manufacturers for use in portable computers and elsewhere, the only major computer manufacturer to commit to the format so far has been Zenith. However, the company recently announced a newer version of its MiniSport computer that replaced the 2-inch drive with a more standard internal 20 Mbyte hard disc.

But according to Simon Holloway, technical manager for Kao Corporation, the Japanese household products group that has expanded rapidly into the floppy disc market, developers of floppies should not limit their horizons to computers. Other products are now starting to use floppy discs – such as electronic cameras and music synthesizers.

"In terms of the unit market, I suppose the limitations on that are going to be the improvements in non-computer fields such as data compression techniques," he says. "And pictures take up a lot of space. The 2-inch drive, for example, is a commercial product in photography. Zenith's recent move to use a 20 Mbyte disc was more of a protest against the amount of time it was taking to standardise things."

"COULDN'T THEY GET MORE INFORMATION ON IT IF THEY MADE THE HOLE A BIT SMALLER?"

The difficulties faced by the 2-inch disc, however, have as much to do with its physical size as its capacity. While capacities of floppy discs are more than doubling every few years, the change from one size of disc to another is much slower – as these involve a complete re-tooling of disc drive manufacturing facilities to handle the new drives.

It is for this reason that it took more than 10 years for the now-standard 5.25-inch floppy disc drive to supplant to old 8-inch drive - and why the seven-year-old 3.5-inch disc drive is only now starting to replace the 5.25-inch floppy disc drive.

Kao's Holloway explains that a great deal of co-operation between competing companies is required to make these technological strides. "While we are right at the forefront of disc coating technology, we still have to wait for the hardware, head technology and disc drive," he says. "The mechanics of it are that bright ideas – whether hardware or media based – are to some extent shared between media manufacturers. But we all work hand in hand. If we are developing 20 Mbyte floppy discs, we can't do that without the assistance of a floppy disc manufacturer who is able to share R&D drives and drive technology."

Geof Wheelwright

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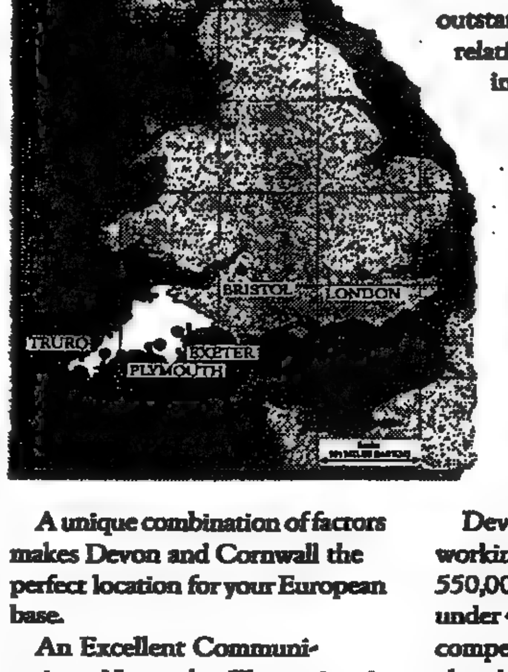

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BUSINESS LAW

Cracking down on the computer hackers

By Clive Davies

SINCE August 29 1990, computer hacking has been a criminal offence in the UK.

The Computer Misuse Act 1990 brings the UK into line with Australia and a number of US states and follows reports by the Scottish and English Law Commissions.

Computer users and suppliers have long been concerned that hackers could gain unauthorised access to computer systems. At the very least, a hacker might undermine the commercial value of information stored on a system; at worst the act of hacking could be the basis for fraud or theft or could cause damage to the computer itself.

The new legislation should help to maintain confidence in London as a leading centre for finance and international trade.

Neither English common law nor statute provided sufficient protection against hacking. This was demonstrated by the failure of the prosecution of two individuals who gained access to the British Telecom Prestel computer network in 1984 and 1985.

They were initially convicted of contravening the Forgery and Counterfeiting Act 1981 but the Court of Appeal quashed the conviction. The Court held that although forgery could include electronic methods of creating false information, the electronic impulses keyed in by the hackers were not a "false instrument".

The House of Lords confirmed this and ruled that a device which recorded or stored information by electronic means could not be an "instrument" under the 1981 Act unless it preserved the information for an appreciable time. The momentary holding of customer identification numbers and passwords did not amount to an "instrument". These decisions indicated that the law needed reform to make hacking a specific offence.

The fundamental difficulty English lawyers had with hacking was the lack of any law of privacy in the UK. If you walk into an open office, read a file, but do not copy it, and then leave without creating any damage, you have committed no wrong except perhaps trespass which is not a criminal offence. Why should it be a criminal act when you "walk" into a computer instead of an office?

The new Act is designed to protect the integrity of computer systems and not to create any new right in confidential information. The debate, both in and outside Parliament, reflected diverse attitudes. Some argued that everyone should be free to hack into computer systems to test the security measures preventing access, which should be built in by computer suppliers.

Others pressed for legislation which was sufficiently wide to include electronic eavesdropping. This involves "listening" from a remote location to the radiation given off by a computer display terminal and recreating the messages displayed on the screen. This is no different conceptually from looking through a window from the building opposite with a pair of binoculars.

The Computer Misuse Act 1990 largely follows the recommendations put forward by the English Law Commission by treating relatively lightly those who only access the computer without authority, more seriously those who do so with a dishonest intent to commit a further crime and most severely those who, in the process, intentionally modify the computer.

Unauthorised access to computer material occurs if a person causes a computer to perform any function with intent to secure access to a program or data held in any computer, the access is unauthorised and he or she knows that it is unauthorised. The offence is punishable by a term of imprisonment of up to six months or a fine of £2,000 or both.

The aggravated offence is punishable on indictment by imprisonment for a term not exceeding five years, or an unlimited fine, or both.

A person is guilty of unauthorised modification of computer material if he or she does any act causing an unauthorised modification of the contents of the computer, and at the time of the act intends to modify the contents of the computer without authority and so impair its operation or prevent or hinder access to any program or datum held in the computer. This offence is also punishable on indictment by a prison term not exceeding five years, or an unlimited fine, or both.

"Computer" is not defined in the Act on the basis that most definitions would be liable to become out of date very rapidly as technology develops. Some US state laws refer to "computers or computer systems", and there is an argument that hacking into a computer network (as opposed to a single computer) might not be caught. The courts will probably take a reasonably broad approach to the definition of a computer and will include within this a computer network.

"Program" and "data" are not defined in the Act except to say that they include items held in any removable storage medium (such as diskettes).

Modification of a computer's contents takes place if, by the operation of any function of the computer concerned, a program or datum is altered or erased or added to. This is aimed at the placing of "viruses" or "logic bombs" or "Trojan horses" in a computer: that is, something done to a program (which may well not be readily identifiable by the user) but which causes sometimes irreparable damage not only to the program itself but possibly also to the operating system of the computer on which it is running.

Under the Criminal Damage Act 1971, damage to parts of computer systems might not be considered criminal damage to "property of a tangible nature". One clear concern with hacking is the territorial scope of the offence. A person using a personal computer and today's extensive international communications systems can hack into a an English computer from Germany or into a US computer from England.

The Act in effect extends jurisdiction for hacking offences to permit prosecutions even when part of the offence was committed abroad, provided there is a significant UK link, which for the basic offence means the accused or the computer was in the UK at the time. One surprising, and possibly unintended, consequence of the Act is that on a strict interpretation of the wording it may unnecessarily criminalise certain breaches of software licenses.

When a software house licenses a software program to a supplier, it will usually prepare a list of restrictions on the operation of the software. For example, there may be a stipulation to limit its use to designated computers and/or at designated locations.

If the licensee then uses that program on a computer which is not covered by the licence, the licensee would be causing a computer to perform a function with intent to secure access to the program, such access would be unauthorised and the licensee would know that.

These appear to be the circumstances necessary to constitute an offence under the Act. Arguably "unauthorised access" should relate to access to the computer, as opposed to the program, although the Act clearly refers to "access to a program or data".

Software suppliers may thus see the Act as providing further protection for their intellectual property rights in addition to that provided already by copyright and the terms of their licence agreements. They may regard this as justified in view of their considerable investment in developing software and the computer industry's general acceptance of the need for a high level of protection for software.

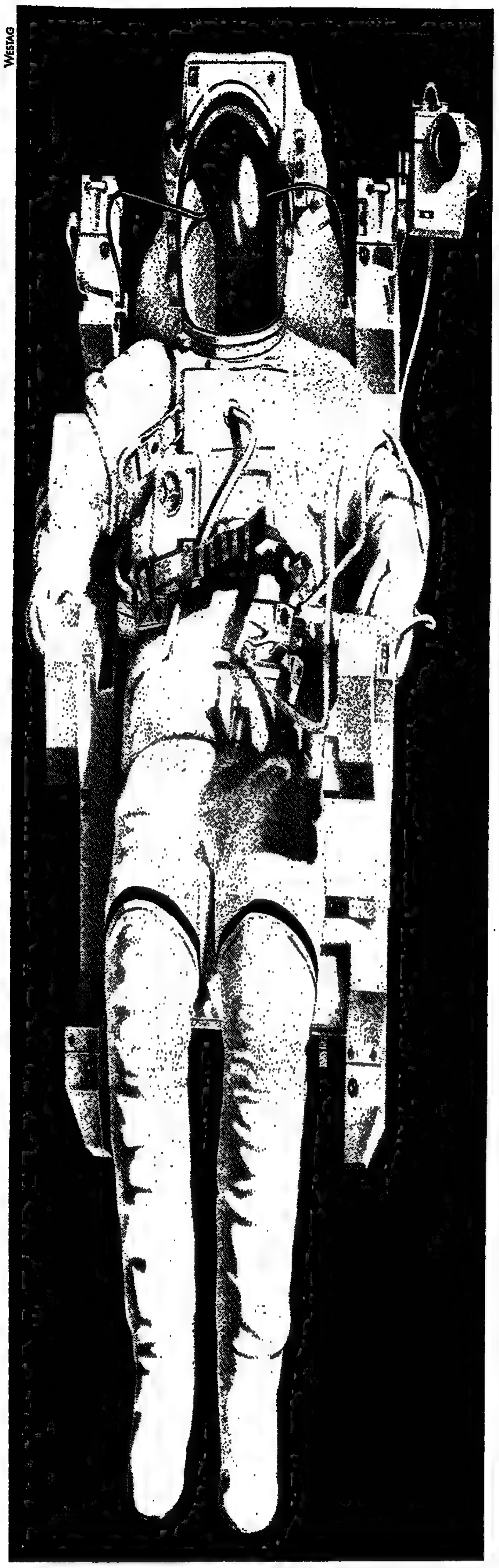
Another interesting consequence of the Act is that if a person walks uninvited, but without breaking any laws, into an office and uses a computer which is sitting on the desk without any physical lock or security code protecting its programs, this constitutes a criminal offence.

It would have been possible to draft legislation which required the computer to have some barrier to access which had to be breached in order for an offence to be committed. This concept has, for example, been used in the New York law relating to hacking, but was not followed in the Act.

The only really contentious issue raised during the passage of the Bill through Parliament was whether the police would have sufficient powers to gather the evidence they needed to prosecute offences under the Act.

However, the Act probably does provide sufficiently clear-cut offences for prosecutions to be carried out successfully. Certainly in the US, hackers have been successfully prosecuted and fined or sent to prison.

The author is a solicitor with City lawyers DJ Freeman & Co.



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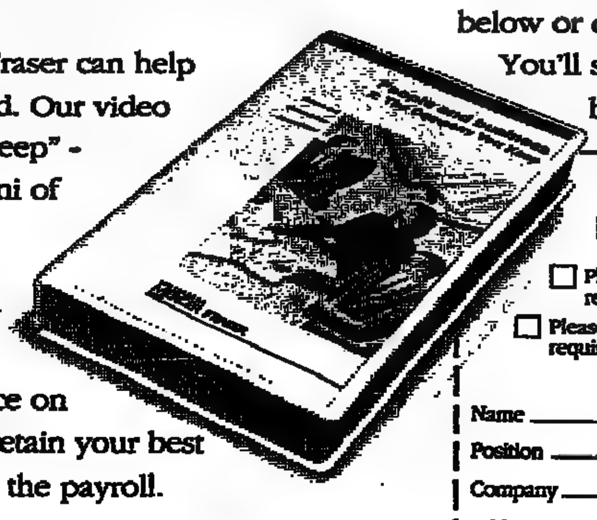

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CINEMA

Communication problems

GHOST Jerry Zucker
BAD INFLUENCE Curtis Hanson
THE PLOT AGAINST HARRY Michael Roemer
CADILLAC MAN Ronald Donaldson
HARDWARE Richard Stanley

A huge plaster angel, hoisted up to window level, seems reluctant to enter a young couple's New York loft apartment – a sign, perhaps, for Sam and Molly (Patrick Swayze and Demi Moore) that their golden existence cannot last much longer. Soon Sam is dead, shot by a mugger; and while Molly grieves, he grieves too.

If it is hard for the bereaved to let go, *Ghost* suggests, it is equally hard for the dead to say good bye. All the same, a love story in which one of the characters is deceased would be difficult to realise if Sam were not the sort of ghost, not really ready to die, who is caught between two worlds for a definite purpose. He soon discovers that in fact he has been murdered because he was on the verge of uncovering a massive computer swindle at the bank where he works – and *Ghost* stops being a mournful romance and turns into a thriller.

The comedy and tension of the film depend on the premise that although Sam can go anywhere and see anything, he cannot communicate with the living and he desperately needs to warn Molly that she is in danger. Since Patrick Swayze is practically type cast as a corpse, and Demi Moore is given very little to do except look sad, it is fortunate that this dilemma introduces Whoopi Goldberg into the story as Oda Mae, a bogus medium whose genuine powers are unleashed by Sam. From this point everything – except Sam – comes to life.

Ghost has so little to say about the difficulty of letting go when someone has died, that Sam's death seems like little more than an excuse for some weak laughs when Oda Mae has conversations with someone who is invisible to everyone else. The plot could have served just as well as a more straightforward caper movie, because the best part is the ruse that Sam and Oda Mae devise to reinstate the stolen money. Its mixture of special effect, scams, comedy and broken hearts, makes *Ghost* messy and over long. But Whoopi Goldberg's vitality, and Demi Moore's magical vulnerability, also make it entertaining and occasionally delightful.

It is never clear where Alex (Rob Lowe) comes from, and there is a hint of the supernatural about his role as outrageous alter ego to reserved young accountant Michael (James Spader) in *Bad Influence*. In an apparently chance meeting Alex's hints on office politics transform wimpish Michael's career prospects. But what starts as a liberating experience is soon heading for increasingly dangerous ground, until Michael is completely in Alex's control and murder becomes inevitable.

James Spader (*sex, lies and videotape*) and Rob Lowe (*St Elmo's Fire*) match strong and weak, good and evil in this thriller masquerading as an allegory – or may be that should be the other way round. "I didn't make you do anything that wasn't in you already" Alex says when Michael gets scared. What happens when you relax your conscience for a while seems too appalling to think about. If the peripheral characters – a colourless fiance, drop out brother, pushy colleagues – had not been so stereotyped, *Bad Influence* might have seemed closer to real life and so considerably more disturbing; but it is still absorbing and not totally predictable.

They say the only two dependable things are death and taxes, and that certainly seems to be true for the hero of *The Plot Against Harry*, a small time New York crook released from prison and unexpectedly embraced by the Jewish community he has ignored all his life. Martin Priest, who has the same doggy attractiveness as Yves Montand, plays Harry Plotnick as a man completely baffled by his return to freedom – his little numbers racket empire has gone, his new friendships are claustrophobic, no one ever stops talking or fund raising, and he has discovered he has a bad heart. Going straight might be better for his health, but even that is complicated by a past like his.

The Plot Against Harry did not have a proper release when it was made in 1969. Maybe, shot in black and white, and dense with incident and characterisation, Michael Roemer's film seemed too exhausting to release in the same year as *Goodbye Columbus*. Whatever the reasons, the film has suffered remarkably little for its incarceration, and only the clothes seem out of date. Weddings, Bar Mitzvahs, charity events will go on forever, and the telethon where Harry's fate is decided for him seems no more embarrassing or old fashioned than the ones we watch now. Wryly humorous, affectionate and, like life, rather inconclusive, *The Plot Against Harry* is an unsentimental account of Jewish-American life.

Robin Williams is beset with problems too, in *Cadillac Man*. An exasperated ex-wife, a teenage daughter who has been out all night, too many demanding girlfriends, a $20,000 debt to the Mob – and he is about to lose his job as a car salesman. And that is all before he and a group of colleagues and customers are held at gunpoint by the deranged husband (Tim Robbins) of the showroom secretary. She seems to be the only woman he is not having an affair with, but with his reputation, he gets the blame anyway, and becomes the main hostage.

Robin Williams is a very gifted comedian, but his material as Joey O'Brien, based on his philandering and his salesman's instincts, is unattractive. Wearing a sharp suit and a moustache that shouts insincerity, his style interacts well with Robbins as the slow-witted Larry, who creates a hostage situation by accident, and does not know how to get out of it. But the whole situation is limited and limiting. The general effect is one of mass hysteria rather than consistent comedy, and the concept of Joey emerging as a nobler person from his experience is unlikely.

Though it has a female central character, and was apparently very much the project of producer Joanne Sellar, *Hardware* makes only a very confusing comment on woman's role in a post-nuclear future. If heroine Jill (Stacey Travis) had been a potter instead of an industrial metal sculptor, she would never have got into the mess she does. Why else would her boyfriend have come striding through the *Bladerunner* style landscape bringing her disjointed bits of an old robot for a Christmas present?

Jill lives in a tower block fortress, never going out, because of the lawlessness on the streets and the sort of ruling regime that promotes "a clean break with procreation". But staying at home is not much protection when her sculpture reassembles itself into a robot that is programmed to kill everyone in sight. Jill does a man's work, and is able to defend herself with the tools of her trade, drill and blowtorch – but she still needs men to rescue her, even though some of them are literally chopped in half in the attempt.

Probably none of this means anything much at all except as the necessary ingredients of one more of those cathartically violent horror films. Although the story is perfunctory, and mechanically told, director Richard Stanley and designer Joseph Bennett have exploited the dusky red light of a sky where the sun is always obscured, and the broken down high-tech scruffiness of a disintegrating society, to make a low-budget film that looks fantastic. Hardware is tense, atmospheric, and extremely gory, and fans of the genre will justly admire it.

Ann Totterdell

Whoopi Goldberg and Demi Moore in 'Ghost'

Othello

STEPHEN JOSEPH THEATRE, SCARBOROUGH

Sooner or later it had to happen. Alan Ayckbourn would have a go at Shakespeare. It happened on Tuesday night in the theatre at Scarborough where Ayckbourn has worked since 1957, and where the comic muse has reigned supreme for most of the time. That only makes it all the more piquant that the Shakespeare play Ayckbourn has chosen to direct there should be one of the tragedies – *Othello*.

The choice of play was no doubt influenced by Ayckbourn's close association with Michael Gambon. After the splendid series of performances Gambon has given in Ayckbourn's own plays, and in Miller's *View From the Bridge* directed by him, it was clearly the moment, he and Ayckbourn must have felt, for Gambon to extend his range by playing a Shakespearean hero. But I think there must also have been another reason for the choice. *Othello* is one of Shakespeare's most Ayckbournian plays. It shows through a series of absurd contrivances and misunderstandings what mayhem occurs when the dramatic instinct is given a free rein outside of the theatre.

Ayckbourn revels in improbabilities of plot and is deeply committed to making them work. He makes them work here with his usual fluency, thanks especially to the dour Iago of Ken Stott. His way of uttering treacheries and incitements is to make them sound like simple Scottish common sense. He is the strong man – the rock on which everyone else founders, including the bald, coal-black Arabian-style Moor of Gambon. It is like watching some stately oriental galleon in full sail, golden pennants streaming in the wind, splitting in half with the most almighty crack as the woodwork splinters.

This is a performance of austere nobility. Gambon's way with the verse is to take it at its face value in his harsh, swingeing, powerful voice. The eloquence comes from his body language. Rarely can the Moor's epileptic fit have seemed so realistic. At the end the smothering of Claire Skinner's fairy-tale princess of a Desdemona is done with his bare hand, not a pillow.

It all works – yes,indeed – but very much in Ayckbourn's terms. This is an *Othello* reduced to its dramatic essentials and compressed into a swiftly moving avalanche of catastrophe by the curtailing of the text. It is all packed neatly into the square-shaped Stephen Joseph arena with audience on the four sides, the action revolving always around one central point in Michael Holt's design – a statue, a tavern-table, a patio-fountain spurting real water – and these items of stage furniture move on and off, seemingly of their own volition without interrupting the performance.

An Ayckbourn production on his home ground would not be complete without some laughs even in what is ostensibly a tragedy. These occur before the tragic noose tightens. They come from of the open affrontery of this Iago, particularly in by-play with Adam Godley's Roderigo who is given a succession of comic disguises, and even in Iago's work on the toffee-nosed Cassio of Simon Dormandy. Much is made of the scene where he gets drunk, and much is made of that wretched handkerchief. Indeed every conceivable visual trick is pulled out from the text and trumped. What a good time we are all going to have when Ayckbourn and Gambon get round to doing one of Shakespeare's comedies at Scarborough.

Anthony Curtis

Victoria Wood

STRAND THEATRE

Victoria Wood is a National Institution, as British as Dandelion and Baldock wine and Dr Scholl's Shoes, products she lovingly litanises in her sold out show Up West. She also digresses on DIY pregnancy testing kits; school reunions; wife swopping in the suburbs, all those everyday preoccupations of nicely brought up middle class girls. She is firmly in the tradition of Joyce Grenfell, enabling us to enjoy our foibles while gently disparaging those of the working classes.

What makes her the national favourite is her own natural good humour. That welcoming grin over a comfortable figure poses no threat. And just when the jokes get a bit relentless, when the anecdotes of contemporary living, most of which seem to revolve around shopping malls, start to wear you down Ms Wood can amble over to her big white piano and thump out one of her wicked songs.

The charm is that she very rarely takes leave of reality. As she builds on her adventures while buying and using a pregnancy testing kit (an adventure which threatens to last nine months) every mishap and detour could just about happen. Her world is set in the familiar landscape of Benettons and Tescos, pizza parlours and chemist shops. Her characters come from the TV soaps and tabloids, I can't imagine what any Americans in the house made of it; of jokes like "what do you get if you cross Kylie Minogue with Mussolini: Anne Diamond", but they would probably have been carried along by the storm of laughter.

Victoria Wood is culminating a national tour in the West End and has written some new material to set the scene. She is particularly funny about her neighbour in the next door theatre, Joan Collins, asking us not to clap too loud in case we upset Joan and assuring us that the producer wanted a sophisticated big name actor to star alongside Ms Collins in *Private Lives* but that Albert Tatlock was dead.

There are appearances from an obese roadie and Beverley's inane friend, characters that Victoria Wood is developing into welcome personalities, but this is basically Ms Wood at full throttle. By the end my loud laughs had subsided to an inane grin. So assured is Victoria Wood, so at home with her territory, that more fibre could now be added. She has a poignant strain to be exploited, particularly in the songs, a knowledge of human frailties that could temper the humour. As she finished on her party piece "Lets do it", the laughter came but it was the easy acceptance of an old joke. Its time for Victoria Wood to scale another peak.

Antony Thorncroft

Auber's 'Manon Lescaut' in Paris

The Opéra-Comique, independent once again with its own management and its own budget, has been playing host to a company formed three years ago by Pierre Jourdan, the Théâtre Français de la Musique. This enterprise, based on Compiègne, where they are restoring the Imperial Theatre built by Napoléon III for the royal palace, aims to revive neglected French operas, using present-day theatrical methods to attract younger and broader-based audiences (have we heard that before?). Their choice has now fallen on the forgotten *Manon Lescaut* of the once tremendously popular Auber, for many years a regular, dependable source of a stream of grand operas, comic operas and ballets, now remember mainly by *La Muette de Portici*, by *Fra Diavolo*, and in Paris by a Métro station and a street, both near the Opera.

Manon Lescaut was a late work, produced at the Opéra-Comique in 1856, when the composer was over 70 and his favourite collaborator Scribe, who based his text loosely on Prévost's novel, not much younger. Their age doesn't show. This is a beguiling work even if the streak of genuine compassion was not strong enough to stand up to the formidable competition from Massenet nearly 30 years later. The greater *Manon* eclipsed the lesser. But Auber, a Cherubini pupil and a long-term director of the Conservatoire, was more than a tune-machine. The "letter duet" for Manon and Marguerite, to take only one example, is a gem. Though long overshadowed, Auber's version has not been entirely overlooked. The French EMI recording with Mady Mesplé in the title role has been re-issued on CD (7632522). This Opéra-Comique with spoken dialogue not only has a tragic end but Manon dies on stage – 20 years later a similar situation in *Carmen* was considered shocking. Were Second Empire audiences less conventional than their republican successors?

The combination for this revival of Patrick Fournillier, one of the most gifted of the younger French conductors and the controversial producer David Freeman of Opera Factory, was potentially exciting. The score could hardly have been more incisively or sympathetically played by Fournillier and the lively Orchestra of Picardy, which also calls itself "Sinfonietta". As for the production, strange manoeuvres on stage during the overture, with male characters dancing with tailor's dummies or manikins (the first scene shows Manon in her garret being urged to sew for a living), their evolutions bearing no relation to the delightful music, aroused suspicions. Fears were confirmed in the second act finale, after Des Grieux, having joined the army to raise some badly-needed cash and has killed a superior officer, he goes one further and wounds Manon's protector d'Hérigny, his Colonel. At this point Death figures in the form of ladies with black masks like butterfly spectacles prowl the stage while more manikins pop up among the chorus.

In the last, Louisiana, act anti-colonialism is plastered on, with prisoners trudging round and round in a circle, scourgings and cloutings and the air steamy with hatred. Superficially effective – the result it seems of two month's intensive rehearsal – but undermining rather than underlining the lightweight yet not unfeeling music. Similarly in the last scene Manon's death agonies in the desert are gratuitously prolonged by mime during the expressive but not expressionist orchestral introduction. I have a feeling that the manikins were there again at the end – brought by ship all the way to Louisiana?

David Roger's set, a low, glaring, white semi-circle against a black background, kills the well-made costumes and, abetted by some Brechtian white lighting, has a curiously congealing effect in the Paris scenes. Here even in Bancelin's restaurant there is no sense of urban liveliness. Elizabeth Vidal is as pretty a Manon as one can hope to see. Moreover she is a clean, supple high soprano without soubrette glassiness. The once popular "Bourbonnaise" laughing-song chez Bancelin was adroitly flung off. On the Sunday matinée, the day after the first night, Miss Vidal tired during the second act but recovered later. The role is cruelly exacting – Marie Cabel, the first Manon, an artist much admired by Meyerbeer among others, must have been as tough as she was gifted.

Matching singers physically to roles, one of the company's guidelines, paid off in Manon's case. All the others looked their parts, not all of them sang them well. Alain Gabriel's Des Grieux in appearance was absolutely right but he strained at the music. It isn't much of a part – Auber allows no tenor solo. Michel Philippe was a rough-toned d'Hérigny – at other performances the role is sung by René Massis. As brother Lescaut, André Cognet made much of little. Marguerite, Manon's friend from Paris whom by Scribean coincidence she rejoins in Louisiana, was the charmingly Brigitte Lafon.

Freeman has adapted Scribe's libretto. The remaining dialogue was moderately well managed. "One should sing as one speaks" they say in a rather pretentious hand-out containing superior remarks about Italian operatic singing. That depends, surely, on how one speaks. And as far as the singing was concerned, better diction all round would help. I don't recall any difficulty in hearing words in this theatre in the past. Have they raised the orchestra pit?

Ronald Crichton

As You Like It

EVERYMAN THEATRE, LIVERPOOL

The great grassy, tree-studded oval within the seats of the auditorium is a useful Forest of Arden, and the designer, Elizabeth Ascroft, makes it also Oliver's house and Duke Frederick's palace. It doesn't much matter which, for the events it encloses, though they are pretty well the story of *As You Like It*, are clearly meant, under John Doyle's direction, to suggest an air of spontaneity. You never know where the characters will next appear from; they may even be sitting in the seat next to yours.

Indeed you may not know who the characters are when they do come on, for the versatile ten-strong cast wear what is basically modern English dress, interpreted as casually as by any young person celebrating *something* at Stonehenge. Oliver (Mike Afford), plump and well-bred, wears a double-breasted lounge suit; Charles the wrestler (Robert Beach) has a black IRA mask; Touchstone (Peter Russell) has a crumpled suit below his jester's cap; Jacques (a lady, Susan Jane Tanner) makes her first appearance in a black tail-coat, just the thing for an open-air wrestling match. You must rely on the dialogue to identify the people.

It is all good fun, and Shakespeare's story is followed in reasonably complete detail. The casualty is the acting. Susan Curnow is a handsome Rosalind, as boyish a Ganymede as Shakespeare allows. I specially liked her practical interpretation of the epilogue. Phyllida Hancock's Celia is at first rather overbearing, and sometimes speaks so fast that I could not follow her words.

Orlando is rightly played on the rough side by Ben Thomas; after all, one of his main complaints is that he has been kept away from the court. He is pop-style sentimental when he woos Ganymede, whom, after all, he thinks is a boy, but genuinely kind to Adam.

But Adam has the same gender trouble as Jacques; he is a lady, Stephanie Jacob, with black hair suggesting 18 rather than 80 years. She is far more convincing as Audrey. Of the countrywomen, Joy Blakeman's Phebe is the most touching, her brisk love for Ganymede turning truthfully to a better-than-nothing relationship with Silvius.

She does well, for Silvius is Robert Beach, a wrestler in his other life, and a fine singer who among other things is effectively given Hymen's lines at the universal marriage finale.

Oliver and Rosalind speak their lines nearest the way I like to hear them. Touchstone isn't funny enough; once he has doffed his cap he is hardly a jester at all. And Jacques is altogether too monotonous, both in "I met a fool i' the forest" and "All the world's a stage." She speaks them like radio news-bulletins. The joy in this production (which delighted a full house) is the general sense of open-air enjoyment, and the speaking may well improve.

The music, by Graeme Du Fresne (who plays both Dukes) is just right, tuneful and rhythmic, mostly set for solo voice with guitar and flute, occasionally trumpet, then blossoming into four parts.

B.A. Young

Arts Council calls for a £14m boost

The Arts Council released its annual report for 1989-90 yesterday and forecast sunshine and showers for the arts in the UK. While chairman Mr Peter Palumbo held to his line that the country is experiencing an artistic Renaissance his secretary general Mr Anthony Everitt spelt out the horrendous problems facing arts institutions.

He appealed to the Government for a £14m boost to its arts expenditure budget for next year. The proposed grant increase for 1990-91 is just 2.5 per cent, to £183m., a sum fixed when inflation was expected to be under 6 per cent in 1990. With inflation at over 10 per cent arts organisations are building up massive deficits. In all Arts Council clients are facing a combined shortfall by the end of the year of £17m, of which £10m is accounted for by the Big Four national companies, the Royal Opera House, the RSC, ENO, and the National Theatre.

The ROH alone has a deficit approaching £5m. The Arts Council has given it three years to eliminate it. It is offering its other clients a similar discretion. Meantime discussions continue with the new Minister for the Arts, Mr David Mellor, for the extra money to stave off a succession of shut downs throughout the land.

Antony Thorncroft

SALEROOM

Christie's yesterday started to dispose of one of the great American book collections of the 20th century – that of Mr Franklin Kissner, who died in 1988. The sale, which continues today and Friday, is devoted to books on Rome, a city which Kissner loved and where he had an apartment.

The morning session brought in £747,241, with over 99 per cent sold. As usual with book sales Christie's had underestimated demand: its forecast for the entire auction was around £1m, a sum which will be far exceeded.

Maggs paid £77,000, double the estimate, for a copy of Sir William Hamilton's (husband of Nelson's Emma) index of his collection of classical antiquities, beautifully illustrated and bound by Pierre d'Hancarville. It sold for £800 at Christie's in 1965 and £5,200 at Sotheby's in 1975.

A.T.

ARTS GUIDE

September 28-October 4

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).
Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Musée Marmottan, 2 rue Louis-Boilly. Closed Mon.
Grand Palais. Biennale Internationale des Antiquaires. Under the sign of Love in Art, 150 antique dealers, both French and foreign, cover a wide range of periods and styles and present their prestigious exhibits in a *mise en scene* evoking the splendour of the 18th century. Ends Oct 7.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open from 12am to 10pm. Closed Tue. (40205186).
Galerie du Carrousel. 19th century French masters. 11, quai voltaire (42611075). Closed Sun and Mon.
Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs. Closed Tue, Wed late closing.
Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionist and post-Impressionist collections formerly in the Jeu de Paume. 1 rue Bellechasse (45494814). Closed Mon.
Picasso Museum. The restored 17th century Hotel Sale, provides a fitting home for the world's largest collection of Picasso's work. (42712421).
Galerie d'Art Saint Honoré. The Magic of Flemish Art. 267, rue Saint-Honoré. Closed Sat, Sun. (42601503).
Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. (26 223978).

Brussels

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of Modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Mon.
Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Mon.

Barcelona

Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme of oriental philosophy in an interchange with the Kestner Gesellschaft in Hanover. Closed Mon

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards.
Palazzo Ducale. Titian. This exhibition organised jointly by the Venice local council, the Arts Ministry and the National Gallery in Washington, marking the 5th centenary of the painter's birth, is the largest for over 50 years.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter.

Frankfurt

Jüdisches Museum, Untermainkai 14/15. Expressionism and Exile from the most important private collection of Ludwig and Rosy Fisher, 117 paintings are exhibited. Among the artists are Kirchner, Heckel, Nolde and Mueller. Until October 10.

Hanover

Sprengel Museum. Kaethe Kollwitz (1867-1945). Eleven plastics, 70 paintings 70 prints of the politically radical artist.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. Goethestrasse 414200, Essen 1.
Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west. The exhibition covers the period from the 18th to the 19th century of Tsars Paul I (1796-1801) and Alexander I (1801-1825) in its role as the political, intellectual and economic centre of Russia. This unique show gives a clear, variegated view of the historical importance of the period of the Russian empire, with paintings, furniture, sculptures, costumes and porcelain.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Otto von Bismarck, born 175 years ago in Schoenhausen, was the German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wilhelm II 100 years ago. The current political changes in Europe, particularly in East Germany, underline the importance of this exhibition, which also attempts to explain what happened after the revolution of 1848. An accompanying programme includes literature, music performances, films and video.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union.

Chicago

Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists – a good opportunity to observe new developments and directions in Japanese art.
Bunkamura, the Museum. Dante Gabriel Rosetti. For some reason, the pre-Raphaelites appeal to the Japanese sensibility, so this exhibition of some 120 paintings and drawings is likely to prove popular.
Setagaya Museum. British Art Now. 15 artists are represented, including David Mach who came especially to Japan to install a three-dimensional seascape made from 30 tons of old magazines. Closed Mon.

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Africa's gains and losses

FOR THE world's poorest countries, most of them in Africa, the impact of the Gulf crisis on fuel prices could create the ripple that drowns the proverbial man already up to his nose in water. But all is not lost. Nigeria, for example, has been thrown a lifebelt.

For the oil importers, the shock could not have come at a worse time. The structural adjustment programmes adopted by more and more African governments will be put at risk and precarious administrations undermined.

A two-fold response from industrialised countries is called for. First, there should be a reappraisal of the performance targets set under existing adjustment programmes, which will now be difficult to reach. This should be accompanied by a sympathetic response to requests for a shift from project-linked aid to short-term balance of payments support. Second, there should be greater urgency in the search for ways to ease the external debt burden. At the same time, assistance must remain linked to the introduction – or continued implementation of – reform.

Fortunately one of the lifebelts that will be needed was being prepared before the Gulf crisis struck.

The debt relief proposals, unveiled in Trinidad last month by Mr John Major, the British chancellor of the exchequer, represent a substantial step towards resolving the problem of an external debt which has become unmanageable for many countries.

Important advance

The proposals are an important advance on the Toronto terms drawn up by the Group of Seven in 1988. The whole stock of eligible Paris Club debt would be rescheduled in one round, rather than in tranches; debt relief would be doubled, to two-thirds of the sum outstanding; interest would be capitalised, with no payments required during the first five years; and repayment periods would be 25 years.

This package should be given the immediate backing of the G7 governments, to allow debtor governments to take advantage of it without delay.

But not all the news out of Africa is bad. Nigeria, home to about a quarter of sub-Saharan Africa's population, is enjoying a windfall which could boost the country's recovery programme; provided, that is, President Ibrahim Babangida and his administration heed the lessons from the past.

Mismanaged projects

Billions of dollars earned from the high oil prices of the 1970s were squandered on mismanaged or ill-conceived projects, or siphoned into private accounts abroad; meanwhile, the agricultural sector was undermined by artificially high exchange rates. Export crops became uncompetitive on world markets; imported foods – rice and wheat – were cheaper than local staples.

At their peak in 1980, oil receipts were $25bn. They plummeted to about $5bn in 1988, while Nigeria's external debt, now standing at about $34bn, was soaring.

Some relief is at hand. The budget for 1990 assumed an average price for the year of $16 for Nigeria's daily production of some 1.6m barrels of oil. Production is currently about 1.9m b/d and prices have approached $40 per barrel.

The resultant windfall could well prove a mixed blessing for Nigeria, unless creditors, donors and government reach broad agreement on how it should be spent.

Justifiably, creditors will argue for tougher terms at debt rescheduling negotiations, while donors will want to divert resources to Africa's non-oil exporters. For its part Nigeria needs to convince creditors that while some of the windfall can go on debt repayment, the bulk should (and will) be spent, honestly and judiciously, on the structural adjustment programme.

Given Nigeria's record of profligacy, mismanagement and corruption, it will be difficult either to convince sceptics of its good intentions, or to put them into practice. But Nigeria has a last chance, one that must be seized, not merely in its own interest but in those of rest of the continent. If the economic recovery programme fails in one of Africa's most richly endowed states, donors will be tempted to write much of the continent off.

Accounting under scrutiny

THIS IS the stage of the economic cycle when people become worried about accounting standards. The worry always comes too late. During the past eight years of expansion, the mistakes and misdeeds that should have been caught by more rigorous accounting standards have been hidden. Almost any businessman could sell his deals in these circumstances. But now the climate is becoming much harsher and the calls for improved standards are being heard again.

The UK accounting profession should be reappraising the way it sets standards. Fortunately, it is. At the end of July this year, the Accounting Standards Committee passed into oblivion and was replaced by a Financial Reporting Council and its subsidiary bodies, the Accounting Standards Board and Review Panel. The new regime has a great deal more power than its predecessor and can go to the courts to force companies to adjust their accounts and fine the directors of companies which fail to comply with its rulings.

Lax accounting alone cannot propel a large company into bankruptcy, but it has certainly played its part in a number of recent corporate failures. The most notable example is that of British & Commonwealth, dragged under as a result of problems at Atlantic Computers, its leasing subsidiary. It is also probable that accounting influenced the management decisions which led to the downfall of Sock Shop, Parkfield and Coloroll, among others.

Neutral view

Accounting is supposed to provide a neutral representation of economic reality, but in many cases it seems to have acted as a catalyst to imprudent business activity, with disastrous consequences once business conditions turned down. Deals have been done, acquisitions consummated and financing structures established, which made sense in terms of the customary presentation of profits, but ultimately put an insupportable strain on the business.

There have been times when accounts have appeared more like public relations documents than the work of independent auditors acting in the interests of shareholders. Certainly, the number of times when a set of accounts has brought public attention to impending disaster has been remarkably few.

This is not surprising. The Accounting Standards Committee had such little power and its activities were hamstrung by the politics of the UK's six rival professional accountancy bodies, all of which had to approve accounting rules before they took effect as fully-fledged statements of standard accounting practice (SSAP). Despite this, it tried hard in its final years to tackle some of the more widespread abuses.

Exposure drafts

It put out 10 exposure drafts between April 1989 and July 1990, which tackled (among other things) accounting for merger and acquisitions, for goodwill, for intangible assets such as brands, for off-balance sheet finance and for fixed assets and revaluations. It also issued a full SSAP on accounting for pension costs, an area which had hitherto given much scope for the manipulation of profits, and a draft document requiring companies to produce cash-flow statements rather than the less-informative statement of the source and application of funds.

The Accounting Standards Board has grandiose ideas about establishing a theoretical basis for accounting and revamping the balance sheet. Both of these are noble aims, but the Board should start by implementing as much of the Committee's legacy as it can, as soon as it can. The sooner, for example, that companies produce cash-flow statements, the better.

The Board cannot do anything about abuses perpetrated by companies long ago, but it should take advantage of the lull in mergers and acquisitions activity to get a portfolio of authoritative standards into place. What is more, it should ensure that those standards are effectively implemented even after the present difficulties are over. Only then will accountants have done their job and thereby reduced the number of unpleasant surprises the next time round.

Charles Leadbeater on the response of industry to the downturn

Why 1990 is not 1979

Any spate of strikes in the past three years has called forth comparisons with the Winter of Discontent of 1979, and talk of recession inevitably suggests comparisons with 1979-81. But just as the past decade has seen a transformation in trade union power, so industry has experienced its own metamorphosis. Its performance in 1979-81 could turn out to be a poor guide to its prospects in 1990.

It is almost certain that any recession this year will differ markedly from the earlier downturn. In those early Thatcher years structural changes were set in train that mean British industry is in very different shape today. Those changes – stretching from the growth of small companies, to privatisation and the increase in foreign ownership of British industry – make important differences to how a recession would affect industry.

On balance, industry's ability to withstand any recession should be better than it was 10 years ago. In addition, the structural changes would alter the way the costs of a downturn are shared out.

The most important shift is that manufacturing has become less significant in the economy, particularly as a source of employment. Employment in financial services rose by more than 50 per cent in the past decade, and by more than a third in leisure industries. The service sector will bear more of the brunt in 1990 than it did in 1980.

Despite this shift, industry's performance, particularly in internationally competitive markets, remains important. Several factors that have emerged since 1980 will prove crucial.

● Industry enters this difficult economic period buoyed by its recent strong performance. Although non-oil company profits rose strongly in the two years before the onset of recession in 1979, profits in the 1970s were generally lower than they have been in the 1980s. This improved profitability should provide more of cushion for investment.

● Financial deregulation has altered the interaction of financial markets and industry in the 1980s. This is one factor behind the sharp growth in the total UK corporate sector's financial deficit to £24bn last year, as companies have borrowed, rather than raised new equity, to finance investment and acquisitions. Heavily-indebted companies, such as the Cookson Group, the chemicals concern which has seen its share price fall steadily this year, and Maxwell Communication Corporation, which plans $1bn of disposals designed to reduce its debt, will be under pressure to cut investment.

● Small companies account for a larger share of manufacturing output and employment than in the late 1970s, as the chart shows. This is a marked change. The previous recession hit large manufacturing companies particularly hard. The smaller companies of 1990 may be more agile and flexible than the lumbering industrial combines of the 1970s.

But they have other weaknesses which could be exposed. Many small companies are more dependent on borrowing than large companies. Smaller companies tend to rely more on the UK market. For many small companies this year will be the first test of whether they have the management depth to cope with recession. A high share of the corporate casualties of recession will therefore be among smaller rather than larger companies.

● Linked to the growth of small companies has been a move towards smaller manufacturing plants, in a reversal of the trend of the previous 30 years. In the past decade the share of the manufacturing workforce employed in plants with more than 1,500 workers fell from about 33 per cent in 1979 to close to a fifth in the last years of the 1980s. Job losses involving between 50 and 150 people will characterise any recession in 1990-91.

● A significant share of the non-oil industrial sector has been privatised since the end of the last recession. The switch from oversight by government to the different discipline of satisfying the City's appetite for earnings growth may alter the response of some large employers such as British Telecom and British Gas.

During the recession of the early 1980s employment at the then nationalised corporations was relatively stable compared with the redundancies which swept through manufacturing. This time it will be different.

British Telecom and British Petroleum have already announced programmes which will lead to thousands of job losses, which represent in both cases the latest stage in these companies' long transformation into commercial enterprises. But the tougher economic climate will force privatised companies to cut costs. British Steel, for instance, is slimming its 55,000-strong workforce by a further 2,000 jobs over the next couple of years.

If employment at privatised companies may prove more vulnerable than it was under public ownership, the effect on investment may be the opposite. Most privatised companies are more profitable and have a wider range of options to fund investment than they had as public corporations. Senior executives at privatised companies say the City takes a longer-term view of investment than Whitehall. As a result, investment may hold up better at the privatised companies of 1990 than at the nationalised corporations of 1980.

● The sharp growth in foreign investment in UK manufacturing in the 1980s may buttress industry. Investment in Britain by foreign-owned companies has jumped from an average of £2.5bn a year in the early 1980s to more than £20bn a year at the end of the decade. A fifth of the UK manufacturing production is owned or controlled by foreign groups.

There are two positions on how the growth in foreign ownership could affect industry. The pessimists argue that foreign ownership leaves UK industry more exposed, because corporations based in Detroit or Tokyo will have few qualms about closing branch plants in the UK. The optimists argue that the higher level of foreign investment has been matched by an improvement in its quality.

Mr Ewan Peters of the Scottish Development Agency says: "Most foreign-owned electronics plants in Scotland are part of a larger European corporate strategy which will not be put at risk by a localised downturn in the UK."

● Many British companies have internationalised their operations in the past 10 years. A decade ago well over 50 per cent of the earnings of the top 20 UK engineering groups came from the UK. This year the figure is close to 40 per cent. This means there will be an international contribution to the performance of many leading UK manufacturers. Foreign activities may compensate for weak earnings in the UK. Equally there could be an international dimension to cost-cutting which was previously absent.

Mr Ian Godden, a director of Outram Cullinan and Company, the management consultancy, says: "Companies will have to look at cutting costs through rationalising production internationally not just in the UK."

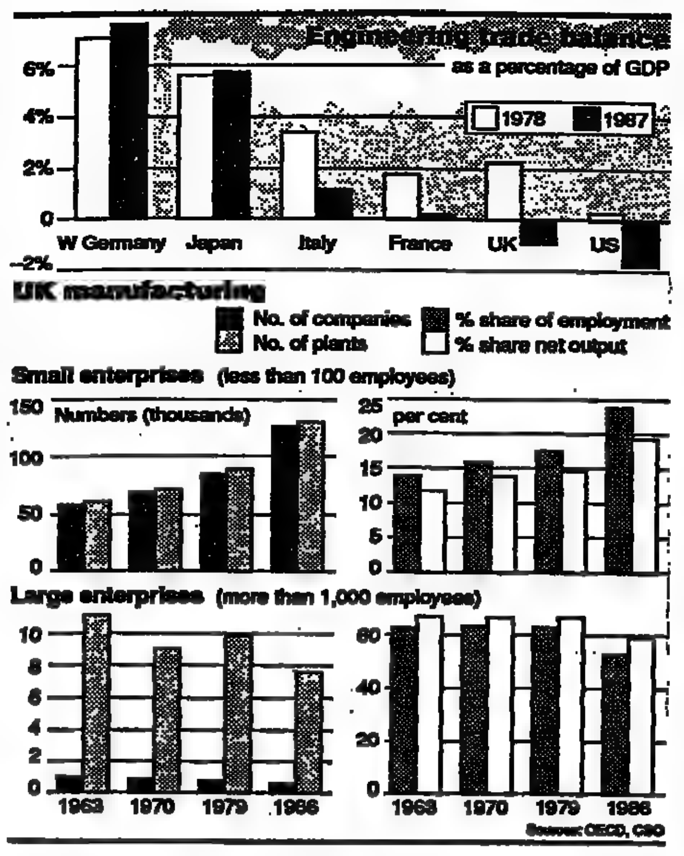
● Finally, any recession will be a test of the fashionable corporate strategies of the 1980s. Companies which remain heavily dependent on the UK and groups which have borrowed heavily to finance acquisitions are likely to be the least successful.

It is equally clear that companies such as Hawker Siddeley, the diversified engineering group, which escaped rationalisation a decade ago, will this time come under pressure to slim down to a more manageable range of activities.

But perhaps the most interesting question hangs over companies which have already concentrated on a small set of "core" businesses where they have international competitive advantage.

A striking example is TI, the engineering group. In the past seven years it has shed bicycle manufacture, machine tools, suspension systems and domestic appliances to concentrate on seals, tubes and specialised engineering. This was accompanied by an internationalisation of its manufacturing and sales which means it now earns only 15 per cent of its turnover in the UK. As a result TI will be in a better position to withstand a UK downturn.

Yet there are inherent risks in this widespread strategy of paring businesses down to their so-called "core." In some cases the fashion for concentrating on a small set of such businesses is just a disguise for companies' failure to compete across a wide range of products. Mr Donald Fraser, industrial director of the National Economic Development Office says: "The trouble is that many British companies now only have their cores, they have little else to lose."



BOOK REVIEW

Germany's responsibility

TWO STATES – ONE NATION? The case against German reunification
By Günter Grass
Secker and Warburg, £3.99, 123 p

A bit of a cheat, this book published yesterday. Short though it is, it is not a new essay but a collection of Günter Grass's writings and speeches on the German Question, some of them dating from the 1960s and the most recent from early 1990.

Pity. An essay of this length setting out the case against German reunification would have been worth having, especially from a German pen. Perhaps even more worth having now would be an essay advising us – the non-German Europeans – what, if anything, we should do about it now that it has happened. Perhaps Grass will provide that in due course. Meanwhile, we should at least consider his argument, even in this fragmented and repetitive form.

It can be summed up in one word: "Auschwitz". We did not need Grass to make us think of it, but perhaps we do need him to make sure we go on thinking of it. Of course it would be much nicer not to think about Auschwitz, and there are plenty of sane people urging us to do so. Isn't it unhealthy to go on dredging up the past? Shouldn't we work together to build the future?

I believe we should, but Grass is right to insist that we cannot do it by behaving as if Auschwitz were a mere historical fact. He says: "The monstrous phenomenon for which Auschwitz stands remains beyond facts and figures, beyond the cushioning academic study, a thing inaccessible to any confession of guilt." He is quite right to say that "anyone thinking about Germany these days and looking for an answer to the German Question must include Auschwitz in his thoughts", and he may also be right that "by themselves, not Prussia, not Bavaria, not even Austria could have developed the methodology and the will for organised genocide and implemented it: it had to be all of Germany." But it did not follow, as he believed, that "that place of terror, that permanent wound, makes a future unified German state impossible". Nor is it true, as he asserts, that "if such a state is nevertheless insisted upon, it will be doomed to failure."

What Grass does not notice is that by adopting this mechanistic argument he repeats precisely the error for which he and others have rightly criticised the Germans of the past: he shifts responsibility away from the individual citizen and on to the state, or the particular name and shape the state happens to take. Yet the general thrust of his argument goes in the opposite direction: it is aimed at demystifying the state. Why this obsession with political unity?, he asks his countrymen. Why not be satisfied with cultural unity? Don't the greatest German cultural achievements date from a period when Germany was politically disunited? The answer is yes, but there is no necessary causal connection either way. It is up to the Germans whether having a single German state turns them into criminals. There is no good reason why it should do so, and to imply that there is is dangerous because it encourages them to duck the question of individual responsibility, which is precisely where things went wrong before.

Grass's other mistake was to believe or hope that Germany's neighbours would "put their foot down" to prevent German unity, and to think that the Austrian solution provided a usable precedent. The point about Austria is its name, which is not Germany. The Austrians accepted the separateness imposed on them after 1945 because it offered them a way of not being Germans. Whether this was a good thing is debatable. Many would say that it let Austrians avoid taking their share of responsibility for Auschwitz, and that a Germany which elects Richard von Weizsäcker as president is preferable to an Austria which elects Kurt Waldheim.

But in any case the chance for an "Austrian" solution in other parts of Germany – if there ever was one – was missed in the Spring of 1945, when Stalin and the western Allies both decided, separately but simultaneously, to abandon their previously proclaimed objective of German "dismemberment", each fearing that the other would "play the German card". Had they chosen, they might have recreated Bavaria, Prussia, Saxony and so on as separate states, and perhaps Germans would have gladly buried their German political identity under those names. Instead, the Allies at Potsdam pledged themselves to rebuild a single German state, and each side subsequently accused the other of preventing this from happening. The two states which came into existence in 1949 were both called Germany. What separated them was not national or even regional identity but a difference of political and economic system. When one of those systems revealed itself in 1989 as wholly bankrupt, it was far too late for Germany's neighbours to think of preventing the Germans from coming together under one system and one state. Since the system that prevailed was democracy, and the state that prevailed a federal one, things look more hopeful, at least from outside, than Günter Grass seems willing to allow.

Edward Mortimer

OBSERVER

GEC's new blood

■ The relationship between a dominant chief executive and the non-executive directors on his board is the subject of much lively discussion these days.

Inevitably the new appointments to the board of GEC raise the question of whether the strengthened group of non-executive directors could conceivably cramp the style of the company's long time managing director, Lord Weinstock.

Joining Sir Ronald Grierson, Lord Catto, Sebastian de Ferranti, Lord Rees-Mogg, and Derek Roberts, are two outsiders from very different backgrounds.

Andre Giraud, the former French defence secretary, who previously was chairman of the French Atomic Energy Commissariat for 8 years, is a great catch. His arrival underlines the GEC commitment to joint international ventures not so very long after Lord Prior, GEC's chairman, was being gently ribbed about the "British as roast beef" composition of the board.

Giraud, aged 65, is a modern European technocrat to his finger-tips. Born in Bordeaux, the son of a schools inspector, he studied at the exclusive Paris Polytechnique where so many of France's industrial stars begin to shine. His first job was as an engineer in the industry ministry. Now he advises the president of the Sant-Gobain group, which is a pivotal force in French industrial and poitical life. The current industry minister, Roger Fauroux was a former chairman.

Three recent joint ventures between GEC and foreign companies indicate a new willingness by Lord Weinstock to send his braves to hunt the prairies. They are: the consumer goods manufacturing arrangement with General Electric of the US, the arrangement with Alsthom of France in power engineering and transportation, and the joint ownership with Siemens of Germany of the British-based telecommunications manufacturing company GPT.

Artus link

■ Yet the most intriguing appointment is that of Ron Artus, who retired from the Prudential Corporation at 58 this year after a lifetime as an investment manager, and was group chief investment manager from 1979 on. He seems to have been put into place to supply a missing link between GEC and the City.

Artus and his colleague Peter Moody some 20 years ago set about making the Pru and the other institutions involve themselves more closely in the companies they invested in. At the Pru they adopted a stance that they were committed to long-term investment in many companies – and made plain that they expected to exert influence upon industrial managers from the shareholders' position.

City institutions seem to have reacted quite favourably to GEC's strategy of partnerships with foreign companies. But there remains the familiar anxiety about when, and to whom, Lord Weinstock will relinquish the post of managing director.

All the signs are that Lord Weinstock will make the decision in his own good time and will not be rushed into it either by his non-executive directors or by institutional investors.

Free speech

■ The most revealing moment of yesterday's Unity Day ceremony at the Berlin Philharmonic concert hall came about half an hour into the session when an eccentric citizen took the podium uninvited and

"I'm so hungover I can't remember if I was East or West German".

started to address the audience.

Had he been a terrorist, the intruder – who had got into the police-ringed building with a forged security badge – could have gunned down the whole of the German political establishment, from President Richard von Weizsäcker downwards. As it was the low key way in which the incident was handled testified to the new relaxed German style.

The audience reacted to the impromptu speaker's tirade with polite clapping.

The Germans are showing that they are not after all hyper-efficient, but can improvise when the need arises.

Mis-match

■ Job security is one of the main perks of working for EC institutions. But not, it seems, in the case of the head of the London office of the European Parliament.

Martin Bond, a long time EC official and erstwhile BBC correspondent in Berlin, has held the job since December 1988. But the latest twist in a long-running legal saga has put a question mark over his continued tenure there.

The reason is that Jack Hanning, press officer to the Council of Europe (the oldest but least-known of the Euro-organisations) has just won his case in the European Court.

Hanning complained that he had effectively won the first competition for the Parliament's London job back in 1987, but was then mysteriously de-selected. The Parliament held a second competition, which Hanning re-entered but lost to Bond.

Now the European Court, (or rather its Court of First Instance which has been newly-created to deal with just this sort of intra-Euro personnel row) has annulled the Parliament's decisions to disregard the first competition and to call a second one.

The next move in this long-running legal tennis match is up to the Parliament.

Card vote

■ Margaret Thatcher's Christmas card list, currently circulating Whitehall, will need careful updating this year. The draft version lists President Saddam Hussein as a suitable recipient of "seasonal greetings" from 10 Downing Street. But Iran, with which Britain restored diplomatic relations last week, is excluded.

Speculation among officials centres on whether relations with Syria will have improved sufficiently for it to be brought back on to the list before December 25.

Numbers game

■ We have become used to such numerical tags as the Birmingham Six and the Guildford Four. But surely the Irish Noraid committee in the United States has got carried away in referring, in a press release, to the "Trust House 40"?

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ECONOMIC NOTEBOOK

Some countries need no advice

By Samuel Brittan

If there is one commodity of which there is no shortage in former communist bloc countries, it is advice.

The current issue of *International Economy** lists no fewer than 11 plans for the Soviet economy, eight of Soviet and three of western origin. But the hard question is posed by Harald Malmgren, namely whether western aid should "prop up dying ministries and the old power structure of the all-union central government" or should be directed to the republics and heads of newly emerging enterprises.

The most promising contribution, however, describes a real free enterprise experiment by a Moscow Professor, Valentin Fyodorov, who has had himself elected governor of Sakhalin Island, north of Japan, 11 time zones and nine hours flight from Moscow.

A sharp distinction of course needs to be made between the crumbling Soviet empire and central European countries such as Czechoslovakia, Hungary and Poland. The latter do not need lessons in market economics to which their own nationals have been foremost contributors — as well as philosophy and logic.

My reticence about giving advice to either group has been reinforced by reading some remarks at a recent Mont Pelerin Society meeting in Munich by the very go-ahead Czechoslovak Finance Minister, Vaclav Klaus. He emphasised that people "could not afford once more to put their fates into the hands of irresponsible intellectuals". One of his main tasks was to "block faulty political decisions."

Economic reform, he pointed out, went back in his part of the world to the 1960s, when it was known as decentralisation. The place of decision was shifted; but without introducing property rights, prices or incentives it brought more problems than it solved — rather like some of the efforts of earlier Conservative governments in Britain to decentralise nationalised industries. Another mistake of reform efforts has been to overlook the required sound money framework. Hence his own policy of budget balance and zero monetary growth.

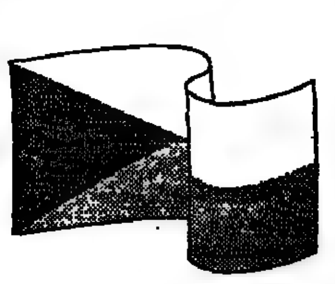
Klaus predictably rejected partial reform: the search for a third way between Communism and capitalism was the fastest way to the Third World. But he equally derided the "search for an ambitious and intellectually perfect reform project, elaborated in all its details." This would be to postpone reform to eternity. Doing nothing in search of perfection is the trap into which the Soviet Union has fallen.

Unlike those western economists who used to say that ownership was secondary, Klaus believes that establishing property rights is central to reform. The first step in his own country was to transfer state enterprises into joint stock companies, capable of being privatised. Because of the lack of domestic wealth, the one way of transferring ownership was "to distribute free a part of state property in the form of vouchers to the population at large." This is an idea which I vainly proposed long ago in relation to UK privatisation and has been developed further by Clive Crook in Eastern Europe in Transition†.

The urgency is, however, much greater than in the UK. "There is no time to privatise 5 per cent of the state property in two, 10, 15 years, as was done in some developed and developing countries in the past decade. We must start with the bulk of enterprises *and privatise them in a few months' time,"* if only to prevent the chaotic privatisation already occuring.

He was, however, agnostic on the correct sequencing between freeing prices and institutional changes such as privatisation. A convertible, realistically valued, currency was essential if import controls were to be removed. But the order of internal and external reforms was uncertain. His government hoped to achieve a convertible currency by the end of 1990 — at the same time as price reform but before the bulk of institutional changes.

A wise man knows what he does not know; and there is hope for Czechoslovakia if Klaus is given a chance.



'People could not afford once more to put their fates into the hands of irresponsible intellectuals'

— Vaclav Klaus

Last unmentionable

Last weekend the Institute of Economic Affairs issued a thoughtful paper‡ by Frank Vibert, to show that constitutional reform should be welcomed by those who approve of the shift of emphasis from the state to the individual and desire to extend it further.

Indeed, it was no collectivist but Mrs Thatcher's own favourite economic philosopher, Prof F.A. Hayek who *wrote: "The triumphant claim* of the British parliament to have become sovereign, and so able to govern subject to no law, may prove to have been the death knell of both individual freedom and democracy."

The author reminds us of the powerlessness of the parliamentary Opposition, the weakness of the Commons committee system; the inadequacy of the present House of Lords; the hostility between central and local governments and the frailty of administrative law.

Secrecy concerns do not distinguish sharply between disclosures which involve genuine issues of national security and those which involve embarrassment to the government. Above all, there has been an erosion of the role of consensus and convention which in the past made an unwritten constitution workable. Britain needs "a set of rules within which the role of government institutions is defined and limited" and a predilection towards contract and law for defining relationships. "The key result of a written form is to provide a better guarantee that institutional change is fully debated and does not arise inadvertently or by gradual accretion."

The author would like to *transform the House of Lords* into a second chamber which would monitor European Community affairs, review administrative law, act as a constitutional court and watch over human rights protection. Different voting systems could be used for the second chamber, or in local government elections, without plunging into proportional representation for the Commons.

The government's ability to manipulate the economy to secure its own re-election could be reduced by fixed term elections. Vibert endorses the conventional argument for an operationally independent but accountable central bank, whether that is to be the Bank of England or a European Central Bank. But in contrast to Delors, he suggests the latter body should report to national parliaments and the Council of Ministers rather than to the European Parliament which has a vested interest in inflationary spending.

The EC has put constitutional questions irrevocably on to the agenda even for Eurosceptics. Indeed, "a more extensive programme of institutional reform can help Britain articulate its values more clearly and display a more forceful role in the wider European debate."

You may agree or disagree. But you would be astonished, if you did not know already, that the whole discussion paper has been temporarily withdrawn so that two paragraphs can be deleted. What caused the fuss? A proposal that I hardly noticed on a first scan. This asked for "the vestigial constitutional functions of the Crown to be removed". Specifically, an officer elected by one or both houses of Parliament "could invite a party leader to form a government" or to give formal assent to legislation. So far from being anti-monarchy the aim was to reduce the risk of the Queen being involved in political controversy, as she could be were there to be a hung Parliament.

This innocuous suggestion led to a headline in last weekend's Sunday Times — "Radical Tories seek to strip Queen of power", buttressed with rent-a-quote criticism from Tory backbenchers and others.

Unfortunately the Institute of Economic Affairs, which boasts of its non-partisan nature, caved in, saying that the two paragraphs in question were "generating more heat than light and distracting attention from careful analysis of constitutional issues."

Maybe. But is the monarchy then to be the last unmentionable even in highly respectful IEA prose? If so the UK is not entirely a *free country. One* should never retreat from gunfire, especially metaphorical gunfire from newspapers under pressure to hype up anything they report.

Taxes and Labour

Labour is trading on voters' ignorance that "no tax cuts means higher taxes." For the automatic effect of rising incomes in a progressive system is to drag more people into higher tax brackets and increase the proportion of income most of us pay in tax ("fiscal drag"). The Tories have not been inclined to broadcast that the tax burden has risen under Mrs Thatcher from 34 to 36½ per cent of GDP. What do you think it would do under a government which was not even *trying* to reduce taxes?

**From Suite 1220, 1050 Connecticut Avenue, NW, Washington DC 20036.*

†Social Market Foundation, 194 Regents Park Rd, London NW1.

‡Constitutional Reform in UK: an Incremental Agenda, IEA 2 Ld North St, London SW1.

China's economic reform

Nominal pause, but a degree of real progress

By Adrian Wood

Whatever happened to China's formerly so successful economic reform? Western pessimists think it is in reverse. Optimists think it is stationary. In fact, it is still going forward. How can this be? And how does it compare with the Soviet Union and eastern Europe?

China's economic reform in the second half of the 1980s got on to the wrong track, with the premature relaxation of administrative controls over state enterprise expenditures, and the universalisation of two-tier (fixed and market) pricing. The result was accelerating inflation and massive corruption, which were deeply unpopular, especially among civil servants, students and other urban people on fixed or sticky incomes. Economic anger, rather than a wish for democracy, was what moved most demonstrators in May 1989.

However, months before the Tiananmen tragedy, China's leaders had changed course. Top priority was given to eradicating inflation and corruption, through severe deflation and stiffening of administrative controls over wages, *prices, credit and investment.* This effort has now been maintained for two years, and has basically achieved its objectives, though not quickly enough to head off the demonstrations, and at a high cost in terms of lost output.

A majority of the leadership still favours more economic reform, at least in principle. Like everyone else in China, they are well aware of the enormous gains that reform brought during the 1980s, especially in the living standards of ordinary people. They also want to emulate Japan's one-century leap from nowhere to the economic forefront, and have the example of the Soviet Union to remind them that the Stalinist development railway terminates at a rather less elevated destination. The leaders are, however, nervous about the possible recurrence of disorder, and some of them fear that further economic reform would gradually undermine the existing political system.

These political inhibitions are reinforced by disagreement about how, technically, to take the economic reform further. As a result, no major new reform initiatives have been announced for two years, and although the outlook is improving, none seems likely in the near future. In that sense, those who believe that China's economic reform is stationary are correct. And alas, it looks as if a golden opportunity for generalised price reform is going to be passed up. The experience of other countries, most recently and most relevantly Vietnam, shows that severe deflation of the sort which China has lately undergone provides ideal conditions for price liberalisation — but the leadership is still too shaken for such a bold move.

In another important sense, however, China's economic reform has continued to progress. To understand this, it is necessary to distinguish between "nominal" reform, meaning official policy initiatives, and "real" reform, meaning changes in how the economy actually works. Nominal reform can contribute to real reform (price decontrol being an example), but does not do so if it outstrips microeconomic learning capacity.

When new high-level reform initiatives do become possible, China's political conservatism may turn out to have a silver lining

In other words, the real pace of reform may be limited by how rapidly people and institutions can learn to play new economic roles. For example, Mr Gorbachev's 500-day move to a market economy would surely be more nominal than real. Conversely, there can be real progress with economic reform even in the absence of nominal progress. This is what has been happening in China since 1988. Lower-level official preparatory work has continued, with the central System Reform Commission still hard at work, and its counterparts in provinces and municipalities still pursuing many reform experiments. Moreover, individuals and economic institutions of all kinds have been undertaking their own initiatives and experiments within existing official guidelines.

This is happening on many fronts, including markets for securities and land. Perhaps the most active area is state enterprise reform. There are official (and promising) tests of joint stock companies, new public ownership institutions, and arms-length enterprise taxation. Individual state enterprises are also developing new horizontal relationships with one another, helping to break down the inefficient compartmentalisation of the economy. Some of the smaller loss-makers are being merged, rationalised and even closed down, aided by the new system of unemployment insurance.

Generalised privatisation is politically taboo, but this is more a nominal than a real constraint. As the east Europeans are discovering, the main obstacle to privatisation in this sort of economy is not ideology but acute shortages of suitable prospective purchasers and financial intermediaries. Meanwhile, smaller-scale capitalism in China is still flourishing, despite a recent decline in the number of private enterprises as a result of recession and stricter enforcement of rules.

So although the present political obstacles to further economic reform are regrettable, real progress is still being made. And when new high-level reform initiatives do become possible, China's political conservatism may turn out to have a silver lining. Economic reform in the state sector is painful, especially to certain groups, and (as recent Soviet experience suggests) autonomous political reform may make it harder rather than easier to implement.

For if the political system becomes pluralistic and democratic, it becomes easier for the losers and the shortsighted to unite to block economic reforms that are in the long-run interest of the people.

The author is a professorial fellow of the Institute of Development Studies at the University of Sussex.

LETTERS

Beer in the British way

From Sir Charles Tidbury.

Sir, As a person of some 30 years experience in the brewing industry, may I add some considerations to your debate ("A change of pace to restructuring," September 19 and Letters, September 22 & 28).

There is a wider variety and a cheaper product available to the British public as a result of the number of brewers in the UK, particularly small brewers.

The first Monopolies and Mergers Commission (MMC) proposals laid down rules and regulations about size of groups. It would be a pity if those regulations were seen to be flagrantly abused as a result of the proposed Grand Met-Courage grouping.

The European market is different from the British market, more than 75 per cent of which is supplied in draught form because the British public likes to drink its beer that way.

Balance sheet and other factors of size mentioned by Mr Steele (September 29) would not preclude any existing beer company in the UK, having the financial muscle, to launch into Europe.

The total draught beer market in the UK is relatively stable because it includes lager which has been one of the fastest growth factors in our industry, and has grown on draught because the British public likes to drink it that way.

My opinion is that the proposed merger should be refused because it would lead to greater concentration of ownership in pubs and in brewing. What we really need is for these new regulations to be scrapped as soon as possible and for the industry to be allowed to go back to natural market forces with no regulations. I believe that in his heart of hearts everyone who studied this situation would say this was the right solution.

If we want local choice, let us try and preserve the people who produce it. Australia is perhaps a good example where big mergers took place. Now two companies control about 90 per cent of the market so there is much more restricted choice and a greater price has to be paid for it.

Charles Tidbury,
20 Queen Anne's Gate, SW1

More not less state intervention

From Mr Harry Shutt.

Sir, A striking symptom of the total discrediting of official economic policy is the increasing number of those, such as Messrs Nevin and Gardiner (Letters, September 13 & 15), reminding us that we have been spending the last decade applying principles with a proven record of failure.

What is no less remarkable is that most of the government's critics appear unable to offer any alternative except a reversion to another set of failed prescriptions, the Keynesian paraphernalia of active demand management, devaluation and wage restraint — nothing but the other side of the same neoclassical coin.

For it is clear that, since the main symptom of Keynesian failure — stagflation — has returned to undermine the Reagan/Thatcher experiment, no western government has been willing to eschew the fatal weakness of the Keynesian model — an addiction to money printing as the necessary instrument to sustain growth. Arguably, all that has changed since the 1970s is that, through financial deregulation, the private sector has been put in charge of the printing presses — albeit with a continuing state guarantee against major loss.

The result has been the speculative excesses of the 1980s and an unfundable global debt mountain based on over-inflated asset values. A measure of how far the situation is out of hand is the manifest inability of the US to do anything to defend the dollar which will not push itself and the world into catastrophic recession.

The search for a way out is not made easier by the determination of unscrupulous or simple-minded commentators to interpret the collapse of bureaucratic dictatorship in eastern Europe as a vindication of *laisser faire* capitalist ideology. The true moral of the Gorbachev revolution for the West is that there is no way of reforming an unsustainable system which does not entail the overthrow of the ruling vested interests.

If we recognise this, we may permit ourselves to see that what is needed to avert global economic catastrophe is far more, rather than less, state intervention, but with a much greater degree of effective democratic control than has ever been practised in either East or West.

Failing this we must expect to see hundreds more millions of the world's dispossessed responding to cynical dictators such as Saddam Hussein who can too easily present themselves as challenging a world order which offers less and less hope to most of its people.

Harry Shutt,
The Grange,
Hillside,
Horsham, Sussex

All one big, happy family

From Mr Richard Power.

Sir, Observer ("In the family," September 28) quite understates the family connections within Trusthouse Forte.

It is correct that several members of our board have recommended Trusthouse Forte as a career to their children, but so too have many executives in our subsidiary companies, hundreds of hotel and restaurant managers and countless chefs, waiters and other staff in our operations throughout the world.

People whose interest in their employer is shared within their family normally make very committed employees, while people who recommend their employers to their children are demonstrating belief in the future of their company in a very real way.

We are very proud that we have many hundreds of families working with us throughout the world. If we can retain the values and enthusiasm of a family business while employing 100,000 people in more than 30 countries, it will be to the benefit of our customers and our shareholders.

Richard Power,
director of corporate communications,
Trusthouse Forte,
166 High Holborn, WC1

Way forward for the boat people

From Mr Martin Barrow MLC.

Sir, I refer to your editorial comment on the boat people ("Expulsion by another name," October 1). The recent agreement between Britain and Vietnam over the simplification of the voluntary programme and the involvement of the United Nation's High Commission for Refugees in stepping up counselling activities is a welcome development. It has been made clear that force is not to be used and, indeed, forced repatriation is not in Hong Kong's interest.

While you are right in saying that there is no easy solution, there is now a very clear way forward. It is essential that the British and other governments involved should focus on the root cause — the need for the rehabilitation of the Vietnamese economy — rather than the symptoms. The key is to convince the US of the need to lift its trade embargo and normalise relations with Vietnam, rather than trying to persuade the US to accept forced repatriation.

The Cambodian situation is delicately poised but has provided the opportunity for dialogue between the US and Vietnam. The US should accept the direct linkage between solving the boat people problem and normalisation, which will help start the rehabilitation of the economy and provide the psychological boost required to get voluntary repatriation really going. The boat people's future must lie in Vietnam, but their return should be achieved without the use of force. Hong Kong and the countries of south-east Asia will have to be patient while this long-term solution is pursued.

Martin Barrow,
Legislative Council,
Hong Kong

Scottish drift towards secession

From Mr Peter Clarke.

Sir, It is not kind of John Lloyd to call me clever ("Britishness is not enough," October 1). The one thing the Scottish Conservative Party cannot accept is intellectuals.

In his otherwise perceptive piece about the drift towards Scotland's secession from the UK, John Lloyd does not explain the anomaly of a nationalist movement which is not seeking sovereignty but merely a switch of subordination from Westminster to Brussels.

A few more dreadful by-elections and even the English will wake up to the new sentiment in Scotland. The Conservatives will have to polish their Unionist credentials.

Peter Clarke,
Kirkton House,
Kirkton Manor, Peebles

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Mixed feelings at German unity

By Leslie Colitt and David Marsh in Berlin and Andrew Fisher in Frankfurt

GERMANY must act as a pivot of democracy for the whole of Europe, President Richard von Weizsäcker declared yesterday as the country celebrated unity in a national holiday of exuberance and reflection.

The mixed emotions were underlined by a demonstration of about 10,000 left-wing west Berliners filing through the centre of east Berlin shouting anti-unity slogans and calling for "Anarchy instead of Germany".

Scuffles broke out with riot police as the march, led by a young Berliner in a wheelchair covered with the old East German flag, wound through the government district of east Berlin. The mood turned sour later as a Mercedes car was set alight near the Alexanderplatz. Rowdies shouted: "Fire and flames for this state."

Elsewhere, however, a unity festival was in full swing, with streets awash with hundreds of thousands of people eating sausages and pizza in the sunshine, and public buildings festooned with brand new federal German flags.

Emphasising that Germany had taken "a permanent place among the western democracies," Mr von Weizsäcker said the country must turn its borders into "bridges" of co-operation with its neighbours.

In a ceremony of speeches in the Berlin Philharmonic concert hall, Mr von Weizsäcker was applauded by Mr Jacques Delors, president of the EC Commission, the most prominent foreign dignitary in the audience, when he urged the Bonn government to step up moves towards European monetary union.

The president also risked an upset with Chancellor Helmut Kohl by indirectly suggesting that Germany should consider raising taxes to help finance unity. Observing that the east-west merger entailed "sharing" of West German wealth, Mr von Weizsäcker said: "Unity will not simply be financed with high yielding bonds."

Mr Helmut Schlesinger, deputy president of the Bundesbank, called for more privatisation of state assets as a way of meeting the high costs of unification without having to raise taxes.

He noted that privatisation of assets in the former West Germany had raised DM10bn ($6.3bn) in the 1980s. A further DM10bn of state holdings remained, though their sale would realise more than this.

Highlighting the economic problems in eastern Germany, it emerged that Praktica was expected to cease production of its famous cameras by the end of the year. Mr Günter Schulzki, general manager of the Dresden-based Pentacon group, said the Treuhand, the agency handling privatisation in the old East Germany, had told it to stop making its Praktica cameras.

In his speech, Mr von Weizsäcker said: "This day is a gift for us. History this time has been kind to the Germans." None the less, reflecting on the human challenges of making a success of unity, Mr von Weizsäcker said of his compatriots in the former two halves of Germany: "We cannot deny how much divides us still."

Many Germans from the east of the country, facing an anxious future of unemployment and dislocation, were in a pensive mood. "If things do not improve soon here, something dire is going to happen," said Mrs Ella Walter, an east Berlin office worker in her 50s. She and her husband said they were staunchly in favour of unification but "the gap in living standards is greater than before the Wall came down."

Not far from where they were strolling down the Unter den Linden boulevard, the sprawling House of Soviet Science and Techology displayed the federal German flag alongside the Soviet flag. In an unsual display of Soviet free enterprise, Russian women outside were selling lacquered wooden carvings.

Germany unites, Page 3; Book Review, Page 18

Ashley Ashwood

Crowds throng Unter den Linden in eastern Berlin on the first day of unification

Bush's budget lobbying likely to succeed

By Peter Riddell, US Editor, in Washington

THE OUTCOME may be close, but the odds are that the US budget package will overcome its first congressional hurdle and be approved in principle later today following an intensive lobbying effort by President George Bush and his top officials.

A strong House Republican opponent of the deal, Congressman Robert Walker from Pennsylvania, admitted: "The president is not in trouble. If you put the president and the Speaker and the minority leader and the majority leader together working on votes, my guess is that they're going to find the number of votes they need to pass their package."

Nevertheless, Mr Bush was sufficiently worried after a first series of meetings on Tuesday morning with members of his own party to arrange a nationally televised address that evening. He has also cancelled a campaign trip due to start today.

The White House sought to keep up pressure on waivering House Republicans yesterday by saying the administration had not yet mustered sufficient votes in the House, though it was more confident of Senate passage.

Mr Bush needs to maintain the political momentum of Sunday's agreement and to keep the bipartisan congressional leadership on board as he seeks to secure final approval by October 19.

The stakes are high. Failure would be a major political defeat for Mr Bush on the central domestic issue. But, as he warned in his broadcast: "If we fail to enact this agreement, our economy will falter, markets may tumble and recession will follow."

Moreover, while some of the details of the package may be reworked by congressional committees next week, it is hard to see how the overall compromise could be put back together again quickly, especially just before the November 6 mid-term elections.

In marked contrast with the upbeat tone of the Reagan years and of his own election, Mr Bush described the deficit as "a cancer gnawing away at our nation's health" and talked of the hope of lifting a heavy burden from the American people.

Mr Bush has taken political risks – some probably unavoidable – by dropping his no new taxes pledge, and has come under fierce criticism from conservative Republicans. Part of the agreement is that the majority of each party in both houses must support the deal and this is the problem now.

The main revolt is on the House side where Republicans have been a minority for nearly 36 years. There is a division between older members, typified by minority leader Mr Bob Michel, who are resigned to, and can accommodate with, the permanent Democratic majority, and a younger generation, led by minority whip, Mr Newt Gingrich, who are increasingly frustrated.

The latter believe that only a firm statement of anti-establishment and populist conservatism will gain them power.

Mr Bush's calculation is that the alienation of these conservatives will not matter if the package succeeds in reducing interest rates and avoiding a recession.

He is unlikely to face a serious conservative challenge to his renomination and his electoral prospects will depend on the outcome of the Gulf crisis and on the state of the US economy.

However, there is the short-term result that several Republican challengers for Senate seats held by Democrats and not a few incumbents, have decided to attack the budget agreement and are distancing themselves from some of its unpopular aspects, such as higher indirect taxes and cuts in Medicare health provision.

Mr Bush may be able to make a bipartisan appeal to the national interest since he does not face re-election for two years, but Republican candidates have found they cannot afford to take the risk.

Nine held in £40m fraud investigation

NINE people were in custody last night after morning raids by detectives investigating a computer plot to steal £40m ($75m) from British Aerospace, the Press Association reports.

Seven men and two women were being held at police stations in Bristol, eastern England after the raids in London and Edinburgh. Both women and one of the men are from Australia.

The arrests followed weeks of investigation by officers of the No 7 Regional Crime squad into largescale fraud involving computer technology and other serious offences.

The 31 officers of the Bristol-based crime squad had been liaising with the Australian federal police and British Aerospace.

"A major UK company, British Aerospace, was believed to have been the target of conspiracy to steal by computer transaction the sum of £40 million," said Chief Inspector Ted Allen of Avon and Somerset police. He said the nine were being detained while further inquiries were carried out.

One man was arrested in Edinburgh and the eight others at various addresses in the London area. Inquiries are continuing into various UK bank accounts and others in Australia, Hong Kong, Switzerland, the Isle of Man and Guernsey.

Du Pont and PowerGen pose threat to British Gas monopoly

By Steven Butler in London

KINETICA, a gas marketing company owned jointly by Conoco, the US oil company subsidiary of chemicals group Du Pont, and PowerGen, the soon-to-be privatised UK power generator, has signed a big North Sea gas deal to become a strong competitor against British Gas in the UK industrial gas market.

Mr Norman Ellis, Kinetica managing director, said yesterday that his company had signed what he believed was the single largest gas deal for the UK industrial market.

Kinetica will buy 37m cubic feet of gas a day for a two-year period starting late next year. It plans to find buyers for its gas from among current British Gas customers.

Kinetica's deal is the latest in a series that promise to eat into British Gas's monopoly of sales to British industrial and commercial customers.

The market opened up following an investigation by the Monopolies and Mergers Commission, after which the government accepted the commission's recommendations that British Gas be barred from buying more than 90 per cent of the gas produced in new UK gas fields.

Competition for gas from new fields has been slow to develop because of the time necessary to bring gas developments into production, but the signs are growing that British Gas could be facing strong competition in the years ahead for its mainstream industrial customers.

The Kinetica purchase represents 57 per cent of the output of the Anglia gas field in the North Sea during the two-year period. Supplies from the field are also expected to go to a gas-fired power station planned for Great Yarmouth, on the east coast of England, by the Anglia Power and Gas Group.

Kinetica said it expected to sign further gas purchase contracts later to replace the supplies from Anglia.

Gas from the Anglia field will be transported to Conoco's terminal at Theddlethorpe, Lincolnshire, and be distributed through British Gas pipelines. Kinetica may also transport the gas through a pipeline it plans to build between Theddlethorpe and Killingholme next year.

Polly Peck plans to halve debt burden

Continued from Page 1

Monte last year for $875m, taking on $475m of debt. Mr Nadir said the remaining loans to be repaid amounted to $350m at present and that this would decline to $230m by year-end.

Mr Nadir also spoke out about allegations of wrongdoing levelled against him personally. He said that South Audley Management, the company which has been at the centre of an investigation by the Serious Fraud Office, "had never bought or sold shares of Polly Peck International".

Mr Nadir appeared stung by what he called "character assassination by innuendo" but nonetheless seemed composed and self-confident. "Apart from the liquidity problem," he maintained, "the company is profitable and healthy".

Polly Peck's liquidity problems did not prevent PPI Del Monte Fresh Produce, a subsidiary, from trying last Friday to repay $15m of a syndicated loan even before the money fell due. The money never reached its bank creditors, however, as it was seized by an unnamed UK bank.

East Europe surplus arms go on sale in Spain

By David White, Defence Correspondent, in London

WANT A few portable Soviet-designed rocket launchers? Or a stock of good old Kalashnikov rifles? Or why not go the whole hog and buy yourself a T-72 main battle tank?

All this and more Warsaw Pact surplus is available through a company called East/West Engineering, operating from offices at San Pedro de Alcántara in southern Spain and run by Mr Paul Cradock, a well-spoken Briton.

A two-page advertisement for the company, entitled "Where east meets west," featured in last week's edition of Jane's Defence Weekly, the specialist magazine, with a list of both Soviet and western arms on offer.

Mr Paul Beaver, the magazine's publisher, said he knew East/West Engineering to be a bona fide company.

According to Mr Cradock, it was set up about 18 months ago to take advantage of improved east-west relations. The Soviet equipment was available mostly through other east European countries which had "lots of kit exceeding their needs" and were now free to turn it into foreign currency.

He cited Bulgaria, Poland, Czechoslovakia and Hungary. Arms could also be bought direct from the Soviet Union but this took longer, he said. Most equipment was "as new."

"We proceed exactly as we would deal with western countries. We forward inquiries. They decide if the destinations are politically acceptable."

He added: "They are just as bureaucratic as other countries, although not necessarily as well organised."

The "east" list includes tanks, from veteran T-54s to modern T-72s of the kind used by Iraq to invade Kuwait, armoured combat vehicles, self-propelled howitzers, multiple rocket launchers, anti-aircraft missiles, RPG-7 rockets (as used by the IRA), aircraft bombs, AK-47 and AK-74 assault rifles and ammunition.

Some eastern European countries are thought to be in a hurry to sell tanks, armoured vehicles and artillery which would otherwise be scheduled for destruction under the Nato-Warsaw Pact arms treaty due to be signed next month.

Mr Cradock said the company had no Soviet equipment in stock but had access to a "very large depot" of western arms in Belgium. This belonged to a parent company, the Commerce International Group, also based in Spain.

Stocks ranged from ammunition of various origins, including Argentina and South Korea, to Italian Oto Melara 105mm field howitzers. Also in stock were German Heckler und Koch sub-machine guns and American .50 calibre heavy machine guns.

"Other items are in the inventories of different countries who want us to act as selling agents so that they can use the money to buy new equipment," Mr Cradock said.

Among weapons on offer are Austrian GHN-45 extended-range howitzers, made under licence from Dr Gerald Bull, the controversial Canadian weapons designer murdered earlier this year. In the Gulf War, the howitzers were supplied to both Iraq and Iran.

Mr Cradock said the list included "very little" British equipment, apart from Bofors anti-aircraft guns made under licence by Royal Ordnance. The company also had in stock some British 25-pounder field guns. "I wish we didn't," Mr Cradock added. "They are museum pieces."

He said supplies of stocked equipment were governed by Belgian export regulations. The Belgian authorities had recently tightened their vetting of "end-user" certificates, required for all arms exports. This had slowed things down.

East/West Engineering employed about 25 people, and the main directors were British, Mr Cradock said. As vice-president he had "main operational control" of the company.

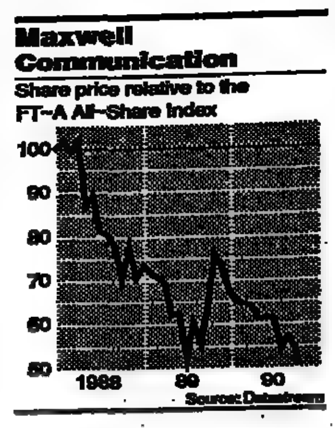
He would not give an indication of turnover except to say it was a "large volume" and declined to discuss prices or clients.

THE LEX COLUMN

A gleam of hope from the north

The Bank of Scotland is such a tiny player in the global banking markets that it is easy to ignore its presence. Nevertheless, its interim results carry a ray of hope for its bigger rivals. It is early days yet, but the Bank of Scotland thinks that lending margins are on the mend. Of course, it may just be taking bigger risks. Its interim results show a doubling in bad debt provisions and the 23 per cent rise in its balance sheet has occurred just when the UK economy is sinking into recession. Nevertheless, it is one of the better managed UK banks and its ideas deserve attention.

Its optimism that the decade-long erosion in lending margins has been reversed is based on the belief that the long overdue shrinkage in banking capacity is at last occurring. The plight of the Japanese and US banks is well known. They are cutting their lending, which should result in better margins for those still willing to lend. Similarly, the more money other banks lose on dud loans in the current downturn, the less capital they have to lend in the next upswing. It all sounds eminently sensible stuff. But there are a couple of provisos. Despite all the tough talk, the world's bank supervisors still seem remarkably reluctant to countenance a once-and-for-all reduction in banking capacity by allowing banks to go bust. More worrying is the ease with which banks seem able to replenish their capital by tapping the equity markets, and even Bank of Scotland is guilty on this score. Until there is clear evidence to the contrary, any hint that the quality of bank profits has changed is surely premature.



Markets

If the Federal Reserve's Mr Alan Greenspan is happy with the proposed US budget accord, perhaps it is not such a bad deal after all. Yesterday's comments support the growing feeling that the US central bank is becoming increasingly worried about recession; and one has only to look at the rock-bottom rating of the US money centre banks to understand why. The dollar is already testing new lows and a further modest relaxation in US monetary policy now seems a near certainty.

The only question is the timing. If the Fed is to be believed, any change in policy may have to wait till the budget has been blessed by Congress. On the other hand, the US mid-term elections are little more than a month away, and the Fed could be accused of playing politics if it cut rates on the eve of the polls. Judging by the short-lived rally in the US bond markets, any future easing has probably already been discounted; and it will need much more concrete evidence of a recession to trigger a major move in bonds. This explains the continuing uncertainty on Wall Street. Meanwhile, the near 100 point jump in the FT-SE 100 over the last three days does not look quite so impressive when it is recalled that the Dow opened at 2,380 on Friday morning.

Maxwell

The market is feeling unhappy about Maxwell Communication again. Last November the yield on the shares had sunk to 7 per cent; yesterday, down 5 per cent to a new low of 142p, they were yielding twice that. The latest difficulty is easily identified. Mr Robert Maxwell has $415m of short-term debt due for repayment in three weeks' time. Last Sunday a press comment suggested that he was failing to achieve asset sales on schedule; Mr Maxwell replied with a volley of statements about impending disposals, some of them contradictory. The effect has been the opposite of that intended. In an atmosphere soured by corporate collapses, the market is asking itself whether Maxwell Communication is in trouble.

The short answer is almost certainly not. Whether or not asset sales to third parties are achieved on time, it is not beyond Mr Maxwell's resourcefulness to come up with a mere $415m by October 23. Thereafter, he has no debt repayments due before 1992. This puts him in marked contrast to Mr Rupert Murdoch, who besides having much larger debt in aggregate has £1.3bn to repay within the year.

Granted all that, the position of Maxwell Communication as a public company remains unsatisfactory. Yesterday's statement speaks of agreed asset sales to the value of $300m and negotiations concerning a further $415m worth. But the only deals apparently concluded involve the sale of $239m worth of assets to Mirror Group Newspapers, which is wholly owned by Mr Maxwell himself. The remaining deals by Maxwell Communication will doubtless be concluded shortly. But the minority shareholders may be left with the problem of relying for discretionary support on a private individual whose resources are ultimately unknown.

Harrisons

The dividend is generous, at 9 per cent the yield is enticing, and in the wake of this spring's £118m rights issue, the balance sheet is sound. The hitch with Harrisons is that the earnings have been flat, or worse, since 1988, and show few signs of doing any better soon. Get rid of distorting factors in yesterday's interims, such as disposals, Malaysian plantation sales, and two takeovers of British and US builders' merchants, and taxable profits from continuing businesses look to have fallen about 8 per cent in the first half. Hence the likelihood of a static pre-tax outcome for the year, with earnings per share down thanks to the new paper. 1990 is not, to be sure, a helpful year, what with the UK construction market in recession, and rubber and palm oil prices hitting the group's remaining plantations. As for Harrisons' chemical businesses, their speciality orientation (towards iron oxide pigments) is some protection from the industry's current downcycle, but even there the first-half profits growth is only half the rate of inflation.

The wider issue though is that this is a company which has issued £240m of new equity in the last three years, to finance the acquisitions needed for its planned repositioning. To say it has delivered nothing would be unfair. But lectures from Harrisons' chairman about long-termism would carry more weight if the interim figures had shown evidence of assured long-term growth from the portfolio of mostly cyclical, commodity-type businesses.

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		°C	°F
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Algiers	S	27	82
Amsterdam	S	20	68
Athens	S	27	81
Bahrain	S	32	[illegible]
Bangkok	F	33	93
Barcelona	R	21	70
Biarritz	C	25	77
Bordeaux	F	25	77
Boulogne	F	18	65
Budapest	S	16	61
Caracas	C	30	86
Casablanca	F	22	73
Chicago	C	17	64
Cologne	S	21	70
Corfu	S	27	81
Faro	F	22	73
Florence	S	25	77
Frankfurt	F	16	61
Gibraltar	F	26	79
Istanbul	F	21	70
Johannesburg	S	26	79
Madrid	F	23	73
Majorca	F	27	81
Nairobi	C	25	77
Paris	S	21	70
Peking	S	22	73
Reykjavik	F	7	45
Salzburg	S	17	63
Tenerife	F	26	79
Tokyo	F	25	77

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

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INSIDE

Chicken coup for Breton food groups

There's a shake up in the hen house with the merger of two Breton food companies, teaming up to create one of the world's largest poultry groups. Guyomarc'h, a foods company controlled by the Paribas investment banking group, will transfer its fresh poultry activities to Doux, a family-owned company which is already Europe's number one supplier. George Graham reports. Page 22

Moving the debt mountain

Robert Maxwell (left) faces the prospect of chipping away at his publishing empire in an effort to pay back the debt he took on to buy it. Yesterday's announcement of disposals of non-core businesses, may have to be followed by sales of parts of core businesses if future repayments are to be met. Maggie Urry reports on the commitments and options facing Maxwell Communication Corporation. Page 25

Little dragons cool down

Once the fastest growing stock markets in the world, South Korea and Taiwan have now become two of the worst performers. The fall from grace of these fierce "little dragon" economies has prompted different reactions to the financial liberalisation that will open the markets to foreign investors. John Ridding reports. Page 25

La Générale in a bunker

Société Génerale de Belgique has had a heavy dose of bad luck. Many of the group's subsidiaries are facing tough times with greater competition and lower prices, as the economy moves towards recession. Lucy Kellaway looks behind the scenes at the problems faced by La Générale. Page 22

Mermaz faces crop of discontent

The promotion of Louis Mermaz to the Agriculture Ministry in France marks a new approach to the atmosphere of conflict between the farmers and the government. But whether he or any new man can quickly resolve the farmers' complaints seems doubtful. Ian Davidson looks at the anxieties of a rural industry facing the stresses of structural and social transformation, as well as the pressures of falling prices. Page 26

Team spirit revives FCB

Foote Cone & Belding advertising agency has hauled itself out of the doldrums. From being little more than a bit player in the important markets of Europe and Asia Pacific, FCB is now one of the largest forces in international advertising. Alice Rawsthorn talks to chairman Norman Brown (left) about FCB's future. Page 23

Market Statistics

Companies in this section

Chief price changes yesterday

NEW YORK ($)				Peugeot	514	−	25
Rises				Suez	271.1	−	18.9
MCA	63⅞	+	3⅞	Total	655	−	19
Morris Philip	48⅛	+	⅛	TOKYO (Yen)			
Falls				Rises			
Apple Comp	27	−	2⅞	Asics	475	+	60
IBM	107⅞	−	⅞	Ebara Chem	629	+	93
Unisys	3⅞	−		[illegible]	743	+	109
Wal-Mart	27⅞	−	1⅞	Nichii	1630	+	260
PARIS (FFr)				Yasukawa	714	+	58
Rises				Falls			
BIC	620	+	19	Kobe Steel	496	−	42
[illegible]	509	+	15				
Falls							
Coparex	700	−	40				

Frankfurt closed.

LONDON (Pence)							
Rises				Standard Chart	295	+	10
[illegible]	[illegible]	+	15	Tiphook	342	+	20
[illegible]	[illegible]	+	14	Warburg (SG)	321	+	18
[illegible]	[illegible]	+	18	Falls			
[illegible]	[illegible]	+	15	AB Elect	146	−	7
[illegible]	[illegible]	+	25	Burton	62½	−	7½
[illegible]	[illegible]	+	12	Eurotherm	168	−	9
[illegible]	[illegible]	+	13	Higgs & Hill	268	−	11
[illegible]	[illegible]	+	18	MTM	144	−	27
[illegible]	[illegible]	+	15	Maxwell	142	−	8
[illegible]	[illegible]	+	22	Tozer	224	−	10

Murdoch merges Australian newspapers

By Kevin Brown in Melbourne

NEWS Corporation, Mr Rupert Murdoch's international media group, yesterday announced plans to move to 24-hour publishing in Australia's two biggest cities, to stem losses incurred by its evening newspapers.

The decision means the end of independent publication of the evening papers, the Daily Mirror in Sydney and the Melbourne Herald. The Herald was the flagship of the newspaper empire built by Sir Keith Murdoch, Mr Murdoch's father. The Mirror will be merged with the morning Daily Telegraph to become the Telegraph Mirror, and the Herald will be subsumed into the morning Sun News Pictorial, as the Herald-Sun.

"It is a sad thing to see one newspaper where there used to be two, particularly when your father spent 25 years building one of them, but you can't beat the market place," Mr Murdoch said.

The merged newspapers will be produced by a single staff in each city, producing morning and evening editions, six days a week. No journalists will lose their jobs, but about 180 production and distribution staff will be made redundant.

Mr Murdoch said that the mergers would achieve "substantial" cost savings for News Corporation.

The Herald has been losing between A$20m (US$16.7m) and A$25m a year, while the Mirror, once a money-spinner, has just about covered its costs in recent years. Mr Murdoch said the only alternative to the merger would have been the closure of the evening newspapers, with the loss of up to 1,000 jobs.

"We think this is the best way to face what is happening to afternoon newspapers throughout the world, and to maintain both services to the public and jobs," he said. Analysts said the move to 24-hour operation would allow News Corporation to stem its losses on evening publication while maintaining its presence in the market to deter potential new entrants.

The concept has been successful in Japan, but has produced mixed results in English-speaking countries. Mr Robert Maxwell, the UK newspaper proprietor, failed to sustain his 24-hour London Daily News, but Mr Murdoch said round-the-clock operation had increased circulation at the New York Post. the Post was subsequently sold by News Corporation to comply with US media-ownership regulations.

Mr Murdoch said the announced mergers were unrelated to stock market concerns about the group's debt profile which triggered a fall of more than A$2 in the share price last week. The shares closed 18 cents down at A$6.92 last night. Mr Murdoch also ruled out the acquisition of all or part of the Fairfax group, which announced a net loss of A$59m on Tuesday, and warned that difficult trading conditions could trigger a breach of loan agreements by December.

● Mr Murdoch told a press conference in Melbourne that he would consider moving to 24-hour publication for other News Corporation titles if the concept was successful in Australia. He added: "We were talking about it the other day for London, but you have very unique problems there in distribution and so on." News Corporation owns The Times, the Sun, Today and two Sunday newspapers in London. Asked which of these had been considered for conversion to 24-hour operation, he responded: "That was a joke. There is no serious consideration of that."

Can Isosceles square the vicious circle of debt?

Nikki Tait and Maggie Urry examine the latest twist in Britain's largest leveraged buy-out

Winning a takeover battle is sometimes only the beginning of a company's problems. Isosceles, which took over the Gateway food retail chain in Britain's biggest leveraged buy-out last year, is in just that position.

Ever since March it has been clear that the company would need to raise more equity. Since then the tricky question of what the group does about its capital structure has been exercising the minds of its bankers and shareholders.

Some clues could be found on Friday, when Isosceles will announce how much it lost during its first full trading period and is expected to indicate the progress it is making in talks about refinancing its high level of debt.

The nub of Isosceles' problem is relatively simple. When the newly formed company took over Gateway for £2.1bn, its funds included only £200m of equity. The remaining money comprised £375m of mezzanine finance and the rest in senior debt.

The Isosceles plan envisaged the sale of some significant parts of Gateway with the proceeds used to pay off a large chunk of the debt.

The £705m disposal of 61 Gateway superstores to Asda, a rival food retailer, went ahead early on. But some other expected sales – notably that of Hermans, a US sporting goods retailer, and Gateway's Scottish and north of England stores – failed to materialise. Isosceles today is therefore both larger than originally planned and has been able to pay down its debt less quickly.

As usual with highly leveraged transactions, Isosceles promised its banking backers that it would meet certain targets for trading profits, interest cover, capital expenditure, asset cover and so on. Because of the failure to make asset sales, the company and its equity backers concede that there will be a breach of these covenants at some stage.

The most sensitive covenant is that on interest cover, which is due to become effective this November. Under this covenant, interest cover for each quarterly reporting period during the second year must equal or exceed 1.75:1. The ratio rises to 2:1, 2.5:1 and 3:1 in the next three years.

Isosceles has the further problem of needing to make a £300m repayment of debt next August, so some extension of the repayment schedule may also form part of the refinancing package.

Isosceles, not surprisingly, is publicly phlegmatic. "There is no urgency to resolve the thing right now," Mr David Smith, Isosceles' chief executive, insists. Having mooted the idea of a September solution in August, he now says that the matter should be resolved by the end of this year.

One of the other parties to the discussions was recently hoping for an earlier resolution of the talks. Most of the main shareholders are reported to be agreed on the principle and the scale of the equity injection. A suggestion that the equity base might be doubled from its current £200m is not denied.

Isosceles' shareholder list is dominated by two large holders, each with a seat on the board. Wasserstein Perella, the US investment bank, holds a 20 per cent stake in Isosceles.

The other large holder, also with 20 per cent, is Great Atlantic & Pacific Tea Company, the third largest food retailer in the US, which fought Isosceles for control of Gateway.

Worries about A&P's position appeared to tell on its share price earlier this year, prompting Mr Jim Wood, the Newcastle-born chairman, to reassure shareholders that the US company would not be contributing to any refinancing.

Conflicting accounts of progress are, perhaps, a hint of different pressures behind the scenes. While Isosceles stresses that basic trading performance is "ahead of budget", any company owned by a bunch of bankers and venture capitalists and obliged to refinance at some stage could expect negotiations to be tortuous and protracted.

Assessing how close to the wind Isosceles will be sailing by November has been virtually impossible, given that the latest published figures were for the quarter to February 3.

A better idea should be possible after Friday's results, covering 10 months of Gateway's trading to end April, which will be accompanied by first-quarter results for the current financial year.

According to Mr Jeremy Alun-Jones, retail analyst at Salomon Brothers, the investment bank, the pre-tax loss may be £43m before including gains on the translation of Isosceles' dollar debt, which might cut it to £32m.

Mr Alun-Jones reckons that Isosceles could make a pre-tax profit in the current financial year, if the refinancing package includes a sizeable dollop of new equity. Profits should rise quickly thereafter.

David Smith: 'No urgency to resolve the thing right now'

Still, if Isosceles has a headache, it can always console itself with the thought that the position is scarcely comfortable for A&P, which ended up swapping shares in Gateway into its 20 per cent stake in Isosceles, which was valued in its books at end-1989 at $144m.

The stake is reckoned to be costing A&P around $15m a year to finance, and Isosceles stopped making dividend payments when the refinancing talks started. One Wall Street analyst suggests that the Isosceles holding could knock about 23 cents off A&P's 1990 earnings, a dilution of around 5 per cent. If that does not sound too serious, there is still the problem of what A&P does from here – assuming its holding is watered down in the refinancing. The company, with its one seat on the Isosceles board, makes little secret of the fact that it would like to contribute more in management terms.

Isosceles' only public suggestion is that the refinancing itself may make an exit for A&P somewhat easier. "It depends on the form of the funding," suggests Mr Smith, "but it might loosen things up and give Jim Wood the ability to get out."

That leaves the ball in the A&P chairman's court. If nothing gives, he concedes that the stake may have to be written down at some stage. "I really don't have much choice," remarks Mr Wood, displaying Geordie bluntness.

Fiat likely to unveil switch in tactics with Telettra sale

By John Wyles in Rome

THE Fiat Group is expected to signal an important change in its strategic priorities today based on selling Telettra, its telecommunications subsidiary.

There was some uncertainty in Rome last night about the identity of the purchaser following a behind-the-scenes competition for the prize during the past fortnight between Iri, Italy's big industrial holding group, and Alsthom-Alcatel, the French electrical engineering company.

Since there were unofficial indications last night that the prospective deal might also involve FiatAvio's gas turbine manufacturing activities, there was some speculation that the French group may have won the battle.

This was strengthened by confirmation that Mr Cesare Romiti, the Fiat managing director, had meetings yesterday with both Mr Guilio Andreotti, the prime minister, and Mr Paolo Cirino Pomicino, the budget minister.

It was thought less likely that Mr Romiti would feel the need to brief ministers if the agreement to be announced today involved a sale or sales into the public sector. In any case, the sale will be seen as a decision by Fiat to concentrate more on its core automotive businesses.

Telettra's passage into French ownership would cause some consternation in Rome. Its transmissions business has long been seen as complementary to the equipment manufacturing operations of Italtel, the Iri subsidiary in which AT&T has a 20 per cent stake.

An attempt to merge the two groups foundered three years ago because of Fiat's objections to "political" appointments to its top management.

Sealink will invest £178m to improve market position

By Richard Tomkins, Transport Correspondent

SEALINK Stena Line, the ferry company formed when Stena Line of Sweden took over Sealink British Ferries in April, is proposing to cut 849 jobs in the next 18 months to improve its financial performance.

However, it is also planning a £178m investment in new vessels, port facilities and new routes over the same period which it expects will create 785 new jobs.

Sealink, which operates three ferry services to continental Europe and another three to Ireland, is one of Britain's biggest ferry operators. At present, it employs about 6,000 people.

It said the planned changes resulted from a six-month business development study aimed at strengthening the company's market position.

Sealink's £178m investment programme includes plans for a new service between Southampton and Cherbourg next year, two new vessels for the Dover-Calais route, a new ship for the Harwich-Hook of Holland run, ship refurbishments, extra sailings and investment in Irish terminals.

The job cuts will be accompanied by an attempt to transform the company from a pure ferry operator to what it terms "a world-leading travel service company".

Sealink will increasingly market its ferries not just as a means of transport from one point to another, but as amenity-packed pleasure boats for days or evenings out.

A similar strategy has been adopted by other ferry companies, partly to fill vessels in off-peak periods and partly in response to the threat posed by the Channel tunnel.

Most of the planned job losses will result from a change in working practices aboard Sealink's vessels from the present complex rota system to a one week on, one week off system. This will enable the company to cut the number of crews from five per vessel to two, so delivering a big reduction in operating costs.

The company aimed to introduce the changes in co-operation with the unions. However, Numast, the merchant navy officers' union, said it would resist them.

"We have grave doubts about the feasibility of the plans, especially from a safety point of view," the union said.

MTM to pay $112m for Hardwicke

By Andrew Hill in London

MTM, the UK specialist chemicals manufacturer, is to buy Hardwicke Chemical Company of the US for $112m.

The purchase from the US chemicals group, Ethyl Corporation, will be partly financed by a *two-for-three rights offer* and should almost double MTM's capacity in higher-value fine chemical products.

MTM offset the adverse impact of the share issue announcement by forecasting pre-tax profits of at least £12.5m ($23.6m) for 1990, which would be a 34 per cent increase on the 1989 profit of £9.3m. Mr Richard Lines, MTM's chairman, said the performance was an indication of the group's resilience in the poor economic climate. The group's recession-proof qualities would be enhanced by the Hardwicke acquisition, he added.

The rights offer, underwritten by Robert Fleming, is priced at 140p a share and will raise £49.5m, with the balance of the purchase price to be met from MTM's own borrowing facilities. MTM's shares slipped from 171p to 144p in yesterday's *strengthening market*.

MTM is principally involved in process development and manufacturing, supplying intermediate chemicals to large pharmaceutical and agrochemical companies.

The acquisition of Hardwicke, which is based in South Carolina, will increase the UK group's profile and capacity in the important US market, which accounts for just under half the world's chemicals output. About 40 per cent of the enlarged group's annual turnover is likely to come from the US, some 33 per cent from the UK and most of the rest from Europe.

Hardwicke made profits of $13.4m before tax in 1989, and $8.9m up to August 31 this year, on turnover of $46.2m and $32.9m respectively.

The acquisition also provides an alternative to further capital expenditure in the fine chemicals area. Mr Lines said that in 1991 *MTM's capital expenditure would* come down from £20m a year to about £10m and he said the group would now aim to grow organically.

Following the rights issue, Mr Lines said MTM's UK borrowings would be replaced by debt in US dollars, at lower interest rates. He said there would be no dilution of the group's earnings per share.

Imperial Chemical Industries, which holds 14.1 per cent of MTM through ICI Chemicals & Polymers, will not take up its entitlement of shares, cutting its stake in the enlarged group to about 8.5 per cent.

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Problems pile up at La Générale

Lucy Kellaway on the fall from grace of Belgium's biggest company

Take Belgium's biggest, worst-run company. Install a new management team bursting with good ideas for sorting out the untidy portfolio of 1,200 subsidiaries. The sky would seem to be the limit. That was what the market reckoned a year ago in the case of Société Générale de Belgique.

Now things look different. Investors who bought shares at the placing last year have lost more than 30 per cent. Those who took part in the flotation of Acec-Union Minière, La Générale's metals unit, have lost 40 per cent in just five months.

This change of heart has not been without reason, as Tuesday's results for La Générale showed. The company's first-half net operating profit was BFr4.6bn ($144m) after tax – about a quarter of what it made in the whole of last year.

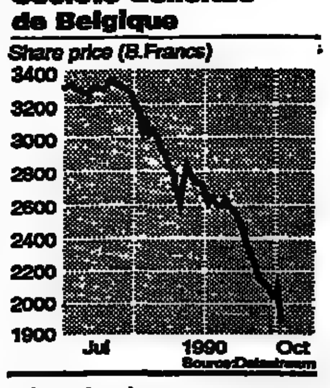
The shares have fallen by about a third since July, and the discount to asset value – which gives some measure of how highly regarded the management is – has worsened from less than 20 per cent a year ago to 30 per cent now.

What has gone wrong? La Générale has received a heavy dose of bad luck. Many of its subsidiaries in non-ferrous metals, chemicals and metals are facing more difficult times with greater competition and lower prices, as the economy moves towards recession. High interest rates and a falling dollar have also hurt.

Worst of all, Fabrique Nationale Herstal (FN), the gun-making subsidiary, is losing more money, and begging for its second rescue operation in just 18 months.

Société Générale de Belgique

Share price (B.Francs)



Source: Datastream

Many of these upsets have been out of the company's control. However, the management gives the impression of having been ill-prepared for some of them, bullishly expecting its virtuous circle to keep turning.

The Acec flotation in May was a case in point: the shares were sold at the top of the market at a price that was far too high. Interest rates too may have been misjudged, with some of the debt switched to floating rates just before rates started to rise.

The complaints have come pouring in from all sides. Shareholders have claimed that the company is not responsive enough to their needs. "I am beginning to wonder what is the point of La Générale. The individual companies are very well run, but it sits in the middle having to play politics, with Suez sitting on top of it. Its shareholders, especially its minorities, are forced to take second, third and fourth place," said a disillusioned London stockbroker.

Analysts also feel bitter to have got their 1990 profit forecasts too high by several billion Belgian francs, and they blame the company for not giving advance warning that things were looking so bleak.

Others have said that La Générale has been too keen on tidying up its balance sheet, and has neglected Belgium's industrial base. This is nonsense, said Mr Etienne Davignon, the company's gruffly charming president, on Tuesday.

"People say all we do is invest in companies, and then clear off," he said. "It is not true." La Générale has helped Belgium become a force just behind France in developing nuclear energy. It has invested heavily in its zinc and other metals businesses, in concrete, in steel, in cable televisions, even in a future Brussels home for the European parliament. Altogether, Mr Davignon said it had put some BFr300bn into physical investment in the last couple of years.

Such defensiveness is largely a response to FN – by far La Générale's worst headache. As the biggest shareholder in the unhappy arms maker, La Générale is in a difficult position. It would love to get shot of the whole company, but to do so would put several thousand people out of work in the depressed town of Liège, and is not politically acceptable.

The FN debacle raises two strategic issues for La Générale. The first is its political responsibility to Belgium where the lion's share of its assets remain. If Mr Carlo De Benedetti had won in his attempt to take over La Générale in 1988, perhaps FN would have been dealt with less mercifully.

The second is its decision to concentrate on fewer companies. But as FN proves, the problem in such an approach is that the whole company suffers every time one subsidiary gets into difficulty.

Under the circumstances, La Générale may have straddled the needs of shareholders and workers as well as it could. It has made it quite clear that it would support the company – probably to the tune of some BFr5bn or so – but only under strict conditions. These include finding an industrial partner, getting support from trade unions and money from the local government.

In the last six months, La Générale may have managed to offend everyone from the workers of Liège to its shareholders to stock market analysts. Perhaps, as Mr Davignon evidently believes, they have themselves to blame.

He says it is all a matter of fickle fashion – La Générale was too fashionable a year ago; now it is not fashionable enough. Such swings are not appropriate for a long-term holding company; and for all its smart new management, La Générale is still a collection of highly cyclical businesses. Observers hope that Suez, which last month took more unwanted shares from Mr De Benedetti, is aware of that.

SocGen's first-half net falls 17% to FFr1.42bn

By George Graham in Paris

SOCIETE GENERALE, the French private sector bank, has reported a 17 per cent drop in first-half net profits, to FFr1.42bn ($272.6m), confirming growing anxieties over a downturn in the profitability of the fiercely competitive French banking sector.

Mr Marc Viénot, chairman, said group operating income had fallen by 11 per cent as a result of the interest rate structure – with high real rates and an inverted yield curve penalising activity – and of difficulties in the capital markets.

Only SocGen's domestic banking activities gained ground, he said, despite a drop of half a percentage point in gross interest margins to an average of 5.38 per cent over the first half. Total lending rose by 13 per cent to FFr512bn but client deposits increased only half as fast, forcing the bank to depend more on dearer money market resources.

In addition, SocGen decided to increase its provisions for bad debt and securities risks by 51 per cent to FFr3.3bn.

"Without the Gulf crisis, the results would have been passable. With the Gulf, they become mediocre, because of our prudence over provisioning policy," Mr Viénot said.

SocGen had to provide FFr200m on the deterioration in the value of its stake in Michelin until the end of June, and Mr Viénot said further provisions on this and other stakes could not be ruled out at the end of the year.

"If 1990 as a whole turns out to be as good as 1989, it would be unexpected," Mr Viénot added.

Crisis in Swedish finance company flares up again

By John Burton in Stockholm

SWEDEN'S finance company crisis unexpectedly flared up again yesterday after Nyckeln announced it was seeking to be placed in temporary receivership, while its principal owner, Beijer Capital, asked to be placed on the Stockholm bourse's special watch list.

Beijer Capital, whose poor forecast last week triggered the crisis affecting three of the country's leading finance companies, also announced that its president, Mr Michael Hasselquist, had resigned.

Beijer Capital, whose principal shareholder is the Swedish financier Mr Anders Wall, said it hoped to rescue Nyckeln by selling more of its assets in order to raise a total of SKr1.8bn ($312m). Beijer indicated earlier this week that the sale of its key subsidiary Beijer Capital Financial Services was adequate to strengthen Nyckeln's base capital.

Nyckeln asked to be placed in temporary receivership after negotiations broke down with a consortium of banks to provide long-term capital in order to restore confidence in the company and allow trading to resume in its shares on the Stockholm bourse. Both Nyckeln and Beijer remain suspended. Once Nyckeln enters receivership, it will have 60 days to reconstruct its activities and strengthen its finances. If it fails to do so, it will have to declare bankruptcy.

Nyckeln's troubles have taken their toll on Beijer Capital. As well as selling its financial services subsidiary, it is selling its 28 per cent voting stake in the Nordstrom & Thulin shipping company.

Portuguese bankers resolve expansion rules row

By Patrick Blum in Lisbon

A DAMAGING row in Portugal over new rules for setting up a bank or establishing new branches has been resolved, said Mr Jose Alberto Tavares Moreira, governor of the central bank, yesterday.

The row had threatened to split Portugal's banking community. The rules, announced in mid-September by Mr Miguel Beleza, Finance Minister, set conditions for all private and foreign financial institutions wanting to establish themselves in Portugal, expand their branch networks, or change from investment companies to banks.

In return for permission to make these moves, the institutions would have had to buy or pay for some of the long-standing bad debts of the state-owned banks at premiums above their market value.

The state would thus have extracted premiums of Es900m ($6.5m) for opening a new bank or transforming an investment company into a bank; Es250m for a change of status from that of a full branch of a foreign-owned institution to that of a locally incorporated bank; Es40m for each new branch in Lisbon and Oporto; and Es20m for a branch elsewhere.

The surprise announcement caused howls of protests from private bankers, who subsequently took legal advice to challenge the constitutionality and legality of the move.

For many banks which had been waiting, some for almost a year, for authorisations to set up branches, the rules came as a shock. Several said they were reassessing their strategy and some were considering delaying their expansion plans until after 1992, when they would be able to open branches freely.

One senior private banker said the scheme would spread bad credits among all the banks like a virus. Bankers also questioned the principle of making the private sector banks pay for the past mistakes and mismanagement of the state-owned banks.

Mr Tavares Moreira said the row had been the result of a misunderstanding stemming from "ambiguities in the initial information [provided to the banks] from the Finance Ministry." These ambiguities had now been cleared.

The banks would not have to take on the bad debt, but make a simple payment into Finangest, a state-owned institution established some years ago to deal with the problem of bad credit.

The Portuguese Bankers' Association, which was not consulted about the measures, has been asked by the Finance Ministry to give its opinion on the scheme. Mr Alexandre Vaz Pinto, the association's president, is canvassing the association's members and expects to present a compromise document to the Finance Ministry next week.

He admits it may still prove difficult to gain a consensus among the association's members, but is hopeful that with clarifications the rules will be accepted by the banks.

Mr Antonio Borges, a vice-governor of the central bank and one of the authors of the scheme, said the new regime would remove arbitrariness from the process of granting authorisations.

Doubt cast over Arbed tie-up plan

ARBED, the Luxembourg steel group, said yesterday it is looking at alternatives to its plan for a merger of flat steel production with Cockerill Sambre, its Belgian counterpart, Agencies reports.

"An agreement . . . is not a must and alternative solutions are possible," Arbed said.

Arbed said the two companies were still negotiating and a draft pact should be ready by the first quarter of 1991. But they said several co-operation plans were being explored instead of the original 50-50 joint venture.

Mr Emmanuel Tesch, Arbed chairman, said an agreement could range from co-operation to a complete merger. "The formula by which we shall collaborate has not yet been decided," said Mr Georges Faber, chief executive.

The two companies said earlier this year they were discussing a merger of their flat steel operations, which would involve taking equal shares of the combined industrial and commercial activities of their flat products divisions.

Arbed also said its first-half consolidated net profit was BFr6.01bn ($187m), compared to a full-year profit of BFr17.5bn in 1989.

Consolidated sales for the half-year were BFr104.8bn. Comparable year-earlier figures were not given.

KEVIN DONE AT THE PARIS MOTOR SHOW

Heavy US losses depress RVI 34.6%

RENAULT Véhicules Industriels, the commercial vehicles subsidiary of Renault, the French state-owned automotive group, suffered a decline of 34.6 per cent in first-half pre-tax profits to FFr517m ($99m) from FFr790m a year ago under the pressure of heavy US losses.

Mr Jean-Pierre Capron, chief executive, said profits were hit by the big jump in losses incurred by Mack, RVI's US associate, which suffered a loss of FFr264m in the first six months compared with a loss of FFr38m a year ago.

RVI, which has recently agreed to pay $103m to buy the outstanding 55 per cent share of Mack, said the restructuring of the US heavy truck maker, was its "top priority".

Mr Capron promised far-reaching measures to rescue Mack including cuts in the workforce, reductions in inventories, systematic cuts in overheads, the sale of certain non-essential assets, tighter control of purchasing, increased flexibility in industrial management, and improved quality.

Mr Capron said Mack would have an impact on RVI's financial performance for several years, but that the company had decided to press ahead with a full takeover as Mack was the only operation capable of giving RVI a global scale and assured long-term access to the US truck market.

Mack has a 13.1 per cent share of the US heavy truck market (above 15 tonnes).

Mr Capron said the pre-tax profits of RVI's European operations were "very satisfactory" with a fall of only 6 per cent to FFr780m from FFr828m a year ago, despite a sharp fall in output and sales in the face of weakening demand in many western European markets.

RVI's truck and bus output in western Europe was 13 per cent lower in the first six months than a year earlier. Volume sales fell by 5 per cent.

Mr Capron said demand for new trucks had weakened in most western European markets this year following three years of exceptionally strong growth.

● RVI has signed an agreement with Avia, the Czechoslovak truck maker, to modernise its 3.5-5.5 tonnes commercial vehicle range with the launch scheduled for 1993.

GM buys 75% stake in Italian car parts maker

GENERAL MOTORS, the US automotive group, is to acquire a 75 per cent stake in Diavia and Aura, the Italian makers of automotive air conditioning units, in a deal worth $67m.

It is buying out the stake currently held by United Technologies of the US. The remaining 25 per cent stake is held by Mr Vidmo Vanti, an Italian entrepreneur.

Air conditioners are seen as an important growth market for automotive components suppliers in western Europe in the coming decade. At present only about 10 per cent of cars in western Europe are fitted with air conditioners but GM expects this to grow to 25 per cent in the next five years.

Nippondenso, the Japanese automotive components group, recently announced the setting up of a joint venture in the UK with Magneti Marelli, the Italian components maker, to manufacture air conditioning systems.

The stake in Diavia and Aura has been purchased by the Harrison division of GM's Automotive Components Group (ACG). Harrison is a leading maker of automotive heating, ventilating, air conditioning and engine cooling systems.

The Italian company is strong in the after-market for air conditioning units, while Harrison is chiefly a supplier to original equipment makers.

Diavia and Aura had a turnover last year of about $110m. It has a workforce of 830, and a network of 3,000 distributors.

Poultry leader formed by merger of Breton groups

By George Graham in Paris

TWO Breton food companies are to team up to create one of the world's largest poultry groups, with sales of about 660,000 tonnes a year of chicken and turkey.

The operation will involve the transfer of the fresh poultry activities of Guyomarc'h, a foods company controlled by the Paribas investment banking group, to Doux, a family-owned company based in the Finistère district of Brittany which is already Europe's number one poultry supplier.

Guyomarc'h, based in the neighbouring Morbihan district, will take 20 per cent of Doux, which after the deal will rank third in the world behind Tyson Foods and ConAgra, both of the US.

Financial terms for the deal have not been disclosed, but officials said yesterday that the 20 per cent stake in Doux would be broadly equivalent in value to Guyomarc'h's fresh poultry business, which includes the Père Dodu turkey brand. Most of the 20 per cent stake will be acquired from Guyomarc'h's parent, Paribas, which holds 15 per cent, with the remainder coming from the Doux family.

Mr Charles Doux, Doux's chairman, said the new poultry group expected sales of FFr6.8bn (US$1.3bn) in 1990, with net profits of about FFr200m, up 40 per cent from last year. The company has already expanded with acquisitions in Germany as well as in Spain, where it plans to continue to invest heavily over the next three years.

Guyomarc'h, meanwhile, expects a 15 per cent increase in sales this year from 1989's FFr7.8bn, with profits up 30 per cent from FFr115m last year. The group will now concentrate on petfood, animal feed and processed poultry products, its other main activities.

Mr Michel Vermersch, the group's chairman, denied that he had any plans to sell the Royal Canin dogfood business.

Revco creditors offer may end litigation threat

CREDITORS of Revco, the US drug store chain which has been in bankruptcy for more than two years, yesterday formed an unusual alliance with the company's management and produced a reorganisation plan which would end a litigation threat hanging over the business, writes Martin Dickson. It would leave equity holders without a penny.

Revco was the subject of a financially controversial $1.3bn buy-out in 1986. Less than two years later it achieved notoriety as the first billion dollar buy-out to finish in the bankruptcy courts when it filed for Chapter 11 protection. Last July an investigation into the buy-out found that the company was so short of capital it was virtually insolvent when the deal was completed and creditors might be able to sue for fraudulent conveyance.

Yesterday, however, committees of Revco's three creditor groups offered to settle all potential fraudulent conveyancing claims without litigation if their reorganisation plan was put into effect. This would give secured creditors new secured notes, at 100 cents on the dollar, while holders of unsecured bonds would receive unsecured notes. Unsecured creditors would receive an unspecified "substantial premium" in getting over 94 per cent of the company's equity, with the remainder ear-marked for management incentives.

Banesto considers private offers for Corporación

By Peter Bruce in Madrid

CORPORACION Banesto, the new industrial arm of Banco Espanol de Credito (Banesto), one of Spain's biggest banks, is considering private offers for its shares following the suspension last month of a 26 per cent flotation because of the Gulf crisis.

Mr Arturo Romani, chief executive, said yesterday that while Banesto did not require the Pta85bn ($873m) or so which a flotation in September might have raised, he was considering either issuing subordinated debt or offers for part of the Corporación from interested foreign buyers.

He said the Corporación, formed in June by merging all Banesto's considerable industrial holdings under one roof, had made pre-tax profits of Pta21.7bn in the first three quarters of this year.

Mr Romani, addressing fears that the collapse of the Madrid market since August 2 has cut the market worth of the Corporación's portfolio to below book value and might force it to make big provisions, insisted that "given the character of the Corporación the market falls worry neither the Corporación nor the bank."

He said the Corporación's industrial holdings were now worth Pta43bn less on the stock market than stated in its books. "But this is not the real value of the company." La Corporación's strength lay in its ability to control many of the major companies in the portfolio, including Acerinox, Tudor, Petromed, Agroman and Union y Fenix, and not in the market value of the shares, he said.

Both Banesto, the bank, and the Corporación are threatened by the market falls although last week Banesto avoided having to make interim provisions because of its 76 per cent stake in the Corporación, after a sudden rally in Corporación shares.

But if a slack market forced the Corporación to make its own year-end provisions, he said these should be passed through the Corporación's reserves, which currently stand at Pta226.5bn, and not the profit and loss account as the Bank of Spain may yet demand.

Banesto, meanwhile, has reported a 34.2 per cent rise in first-half consolidated net profits to Pta30bn on a 17 per cent increase in lending. Banco Central said first-half consolidated pre-tax profit of its financial group rose 74.5 per cent to Pta50.2bn.

Crédit Suisse profits decline

CERDIT SUISSE, Switzerland's third largest commercial bank and a unit of CS Holding, said its group profit for the first nine months of 1990 was below the year-ago level. The bank did not, however, provide figures, AP-DJ reports.

Mr Robert A. Jeker, bank president, qualified the nine-month performance, however, by saying the 1989 performance was unusually good.

"All our major profit-generating activities have suffered as a result of what is happening in the markets," he said.

In 1989, net profit was SFr716.3m ($551m).

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INTERNATIONAL COMPANIES

High interest rates help push Christiania into red

By Karen Fossli in Oslo

CHRISTIANIA, Norway's second biggest bank, yesterday announced it had plunged into a net loss of NKr123m ($20.2m) during the first eight months of this year.

In the same period last year the bank posted a net profit of NKr438m. Group operating profit, before taxes and allocations, slid to NKr1.26bn in the eight-month period from NKr1.58bn last year, as credit losses rose to NKr1.32bn from NKr911m.

"The decrease in operating profit before actual and estimated loan losses is due to a depressed net interest income as a consequence of an increase in non-performing loans and the fact that interest rates throughout the period were higher than during the first eight months of 1989," Christiania said.

Mr Sverre Rostoft, Christiania's president, characterised the bank's situation as "very serious" but stressed it was far from a crisis.

Christiania explained that the increase in credit losses from the first to the second interim – a rise of NKr964m – was partly due to two large commercial loans which had gone bad and partly to a revised evaluation of collateral for loans which saw their value drop with Norway's property market.

After taxes and credit loss provisions the group slid into an operating deficit of NKr61m, compared with an operating profit of NKr670m in the same period last year.

Christiania pledged to reduce operating costs which had risen to NKr2.24bn from NKr1.85bn. "We cannot guarantee that there will be no redundancies, but we can say that redundancies will be the last measure we take to reduce costs," Mr Rostoft said.

FCB makes friends and influences advertisers

Alice Rawsthorn on successful links at a US agency

The creative department of the Foote Cone & Belding advertising agency in Chicago looks like a set from a television mini-series. Some people loll on sofas swapping superlatives about the latest David Lynch movie. Others toss nickels into an artificial waterfall.

A few floors above, the self-conscious chaos of the creative department turns into the orderly white walls and black leather chairs of FCB's corporate offices. It is here that FCB's board oversees its advertising agencies in North America and Europe and plans its next move into Japan.

A few years ago FCB was in the doldrums. After years of lacklustre profits it was the target of a predatory group of Californian investors. When other US and UK agencies were expanding aggressively in the international arena, FCB was little more than a bit player in the important markets of Europe and the Asian Pacific.

It has now hauled itself out of the doldrums. Recently, the company announced a fall in net income to $8.82m from $9.12m on revenues of $156.92m for the first half of 1990, yet it is still a popular stock among the Wall Street advertising analysts.

Thanks to its alliance with Publicis, the French agency, it is one of the largest forces in international advertising. Its US agency was recently voted 'Agency of the Year' by Ad Week magazine.

The catalyst for FCB's recovery was the Publicis deal. Hitherto it had been strong in North and South America but was weak elsewhere. This meant it not only ran the risk of missing out on the growing market for international accounts, but also faced the threat of losing its existing business if its clients consolidated their accounts into international agencies.

"We were in the second division on the international scene," said Mr Norman Brown, chairman and chief executive. "For a client like Colgate Palmolive we were a coincidental agency, not a club agency, and we were very vulnerable."

Publicis was in the same position. It was the biggest agency in France with a respectable European network. But it had no involvement in the Asian Pacific and its US presence was restricted to one small office in New York.

The two agencies had several clients in common and few in conflict. Two years ago they agreed terms for a share swap whereby FCB took 26 per cent of Publicis and the French agency held 20 per cent of its US partner.

Together they became the biggest agency in Europe and the world's fifth-largest marketing group. FCB had also secured a blocking stake against potential predators.

FCB's latest commercial for jeans has attracted a lot of attention

FCB:Publicis' competitors and critics – generally the same in the advertising industry – claim the alliance will never work because international advertisers need to deal with homogeneous networks, not partnerships.

Mr Brown claims that the concept of a partnership is part of FCB's culture. It has always favoured a decentralised management strategy. Its US interests are divided between three virtually autonomous agencies in Chicago, New York and Los Angeles. He concedes that Publicis' culture is different. The French agency is cast in a patrician mould under the influence of Mr Marcel Bleustein-Blanchet, its founder.

None the less, says Mr Brown, the alliance has won new accounts. He cites examples of business from Colgate, Nestlé and Philips-Whirlpool which, he says, neither agency could have won alone. The next move will be into Japan. FCB has an Asian network, the product of an acquisition some years ago. But neither agency is present in Japan, the world's second-largest advertising market after the US.

FCB:Publicis has been searching unsuccessfully for a Japanese partner. The involvement of western agencies in Japan has been restricted to joint ventures working on non-Japanese accounts.

Mr Brown envisages a more ambitious venture involving equity participation. But the problem of finding a suitable partner – most leading Japanese agencies are linked to western companies – and the Asian tradition of lengthy negotiations is holding up the deal.

In the meantime FCB's chief cause for concern is the US. Ostensibly it should have no worries at all. It does, after all, have the Ad Week accolade under its belt. And its latest commercials – such as the new Levi jeans campaign directed by Spike Lee, the controversial film maker – have attracted lots of attention.

FCB has also resolved its problem in New York. The acquisition of Leber Katz, a Manhattan agency, not only boosted its business in the area but has given it an edge in the new field of integrated marketing services.

FCB/Leber Katz is pioneering the concept of a marketing consultancy offering a full range of services through its ICG division.

The US agencies have also won a great deal of business. In theory revenue should be rolling in. But it is not. The fragility of the US economy and the cloud of the Gulf crisis has forced many advertisers to reduce expenditure.

"We won so much new business last year that we should be having a really terrific year," said Mr Brown. "Instead we are having a good year. We are running faster just to stay in the same place."

Safeway earnings soar 190%

By Karen Zagor in New York

SAFEWAY Stores, the Californian supermarket chain taken private in a $4.2bn leveraged buy-out by Kohlberg Kravis Roberts in 1986, yesterday reported strong growth in third-quarter net income, on sales which rose 4.5 per cent.

For the three months ended September 8, Safeway posted earnings of $20.8m or 21 cents a share against $7.1m or 9 cents a year earlier.

Sales advanced to $3.46bn from $3.31bn.

Operating profits in the quarter grew 14.4 per cent to $127.6m from $111.5m, thanks to improved gross margins and sales gains. Operating and administrative expenses were 7.6 per cent higher at $805.9m.

Shares in the company, which have been listed on the New York Stock Exchange since April, added $¼ to $12⅞ by midsession yesterday.

Mr Peter Magowan, chairman and chief executive, said: "Operating results continue to be excellent in 1990, despite only moderate sales gains and increased competition in certain regional markets.

Safeway's operating profit was 3.7 per cent of sales in the quarter, compared with 3.7 per cent in the first nine months.

For the first nine months of 1990, Safeway's net income was $59.4m or 63 cents on sales which grew 4 per cent to $10.2bn, against $23.5m or 31 cents on sales of $9.81bn.

Other income surged to $28.1m in the nine months against only $3.3m in 1989. The company attributed the improvement to higher income from its 35 per cent stake in Vons, a southern California-based supermarket chain. Safeway record income from Vons on a one-quarter delay basis.

US bank set to miss ENTel bid deadline

By John Barham in Buenos Aires

MANUFACTURERS Hanover's bid to take over half of ENTel, Argentina's telephone company, appears likely to fail today, as the group of investors led by the bank has still not finished putting together the cash and debt-for-equity package to pay for ENTel.

But the government has refused to extend today's deadline of 6pm local time for signing the contract. If the group misses the deadline, it will cast a shadow over the Argentine government's privatisation programme, which includes the sale, lease or concession of dozens of loss-making state companies. Manufacturers Hanover, with its partners Bell Atlantic and local investors, were to pay $100m in cash plus $2.3bn in Argentine debt certificates for ENTel's operations in the north of Argentina.

However, the group comprising Citibank, Telefonica de España, the Spanish telephone company, and Techint, an industrial group, should sign its contract for the southern zone on time. The group should deliver $114m in cash and $2.7bn in debt paper on Monday, when the government will hand over ENTel.

President Carlos Menem has said Telefonica could temporarily operate ENTel's northern zone until a new buyer was found. He said a group led by J.P. Morgan and the French and Italian state telephone companies, third in the bidding for ENTel, was the likeliest contender to replace Manufacturers' Hanover.

The sale of ENTel is Mr Menem's first significant privatisation. It is to be followed with the transfer of Aerolineas Argentinas, the national airline, to Iberia and Argentine investors. But, the privatisation programme has degenerated into a messy ad hoc process as the government moved at breakneck speed to rid itself of the loss making companies.

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INTERNATIONAL COMPANIES AND FINANCE

Asset sales planned by Elders Resources

By Terry Hall

ELDERS RESOURCES NZFP, the New Zealand resources group recently acquired by Carter Holt Harvey, plans to raise more than NZ$1.3bn (US$804m) from the sale of its non-forest assets over the next six to nine months, said Mr Richard Carter, executive chairman, yesterday.

The company announced a NZ$972m loss on Friday. Carter Holt Harvey, the country's biggest forestry owner which has a controlling 52.7 per cent shareholding in Elders Resources NZFP, announced its intention to concentrate the company on forestry interests some time ago.

Mr Carter yesterday detailed the assets to be sold. They include the group's Simsmetal recycling operation which has a turnover of A$600m (US$500m) a year and operations throughout Australia and California; its goldmining operation; a 49.6 per cent stake in Bridge Oil, an oil and gas company; its mining services; a finance company; and a US property division.

Last month the company sold its majority stake in Oakbridge, a New South Wales coal producer, and its shareholding in Kaiser Engineers and Latec Investments. Mr Carter said the intention was to maximise the value of the assets being sold.

Lion Nathan sees gain from Bond Brewing this year

By Terry Hall in Wellington

LION NATHAN, the New Zealand brewing group, expects a small contribution from its investment in Bond Brewing this financial year, said Mr Douglas Myers, chief executive, yesterday.

He said his company had finalised the joint venture agreement with Bell Resources under which Lion would manage Swan, Tooheys and Castlemaine Perkins, the three leading Australian brewing companies, and a substantial liquor distribution business. The agreement makes Lion Nathan the region's biggest brewing company.

Mr Myers said that the joint venture, National Brewing, would not distribute cash profits as dividends in its first year as it was committed to spending A$70m (US$58m) on its new 50-litre standard kegs.

Mr Myers will be chief executive of National Brewing. Chief operating officer will be Mr Kevin Roberts, who has the same title at Lion Nathan.

One of the biggest problems the Bond group faced was the loss of market share during the prolonged struggle for control and marketing problems. Mr Myers said that while its share of the market had fallen from 45 per cent to 38 per cent over the past three years, latest figures showed that in the past three months it had crept back to 40 per cent.

He said that settlement of the ownership problems would help the three breweries to become more competitive with Fosters, which has about 50 per cent of the market.

Lion Nathan's proprietary ratio rose from 49 per cent to 56 per cent this year, but with this deal it dropped to 47 per cent, though the asset sales would improve it next year, he said.

Lion Nathan's total investment is A$390m, which will fall to A$330m when Bell Resources equalises its investment. It has until August 1 to do so. Mr Myers said that with a question mark over the financial health of Bell Resources, it was still expected to be able to go ahead with its half of the venture. But if it could not, it would have to offer its shares to Lion Nathan.

Lion Nathan is funding the buy-back of US-subordinated debentures totalling US$510m at a discounted price of 70 US cents in the dollar. To buy its half of Bond Brewing, Lion Nathan has sold NZ$320m of assets in the past year.

In the last five weeks, knowing the deal was to proceed, it has arranged A$1bn to get a new syndicate in place of Bond Brewing's previous syndicate.

Westpac and the Bank of New Zealand are backing the company in New Zealand, while the new Australian syndicate is made up of the ANZ Bank, the National Australia Bank, State Bank of New South Wales and the Toronto Dominion Bank.

The notional balance sheet of the new company shows shareholders' equity and advances of A$655m and term debt of A$875m, brewing and associated liquor assets of A$1.44bn and other assets, including future tax benefits of A$95m.

Mr Myers said that with about 50 lawyers involved worldwide in the signing of the documents, some details still remained to be finalised but the whole transaction should be completed by the end of this month.

Sun Hung Kai Properties up to HK$2.47bn

SUN HUNG Kai Properties, one of Hong Kong's biggest property developers which is controlled by the Kwok family, yesterday reported a 22 per cent increase in after-tax profits to HK$2.47bn (US$318m) for the year ended June 30, writes John Elliott in Hong Kong.

During the year sales totalled HK$5.43bn, 19 per cent higher than the HK$4.57bn achieved in the previous 12 months. Investment properties now being developed total 7.4m sq ft and the company's land bank totals 32.5m sq ft.

A final dividend was declared of 48 cents a share, making a total of 77 cents with a 29 cent interim.

A special cash bonus of 15 cents a share is also being recommended.

Venture targets Asia life market

By Kevin Brown in Melbourne and John Elliott in Hong Kong

COLONIAL Mutual, the Australian life office, and Jardine Matheson, the Hong Kong business house, yesterday announced plans to set up a joint venture to develop life insurance businesses throughout Asia.

Mr John Milburn-Pyle, managing director, said Colonial Mutual would pay A$30m (US$25m) for a 50 per cent share in Jardine's two existing life businesses, Jardine Life Assurance in Hong Kong and Lincoln Philippine Life Assurance in the Philippines.

The two companies will be controlled from Hong Kong by a new joint venture company, to be called Jardine CMG Life.

The joint venture company will also control CMG Consulting Services, a Colonial Mutual subsidiary established in Singapore to provide support skills to financial services businesses in the region.

Mr Milburn-Pyle said that Colonial Mutual had sought a strong and respected partner to assist its expansion in the Asia/Pacific region, where Jardine Matheson has long experience.

Mr Bob Sutton, managing director of Jardine Matheson Australia, said there were huge opportunities for the life assurance industry in the region, where demand was rising strongly in line with improving living standards.

Jardine Life Assurance said yesterday that initially Jardine CMG planned to establish operations in all the key Asian Pacific markets, except the west coast of North America and those countries where Colonial Mutual already has operations such as Australia and New Zealand.

Poseidon drops Newmont move

POSEIDON Gold, part of Mr Robert Champion de Crespigny's Normandy-Poseidon group, said it had abandoned its plan to purchase Newmont Australia, the gold mining company, Reuter reports from Sydney.

This follows the announcement on September 24 that Newmont Australia planned to merge with BHP Gold Mines, creating a company with a market capitalisation of more than A$1bn (US$830m) and annual gold output of 750,000 oz.

Poseidon Gold said it would not proceed with its August 28 bid of two of its shares for every Newmont share because of the merger plan.

Poseidon Gold said the merger would create a company with share capital 73 per cent larger than the one it sought to purchase, and Newmont could cease being a gold producer if the merger proceeded, or turn into an investment company if 100 per cent acceptance was not achieved.

"Posgold considers that the level of uncertainty surrounding the future structure of Newmont Australia makes it unwise for Posgold to proceed with its bid," Poseidon Gold said.

But it said it would retain its 19.99 per cent stake in Newmont Australia.

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October 4, 1990, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

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4¼% Convertible Bond loan 1983 due 1993 originally amounting to Dfls. 100.000.000,-

The undersigned, trustee for abovementioned loan, hereby announces that due to the free distribution of new shares of common stock of the company, the conversion price has been adjusted into Jap.Yen 2.012,9 per share of common stock of the company effective as from October 21, 1990, inclusive.

Amsterdam, 3rd October 1990

DE TWENTSCHE TRUST-MAATSCHAPPIJ N.V.

Nikkei rally boosts offer in Singapore

By Joyce Quek in Singapore

TUESDAY'S rebound in the Japanese stock market helped the public offering in Singapore of Provision Supplies Corporation, the local mini-supermarket operator, which ended 2.3 times subscribed.

This subscription rate fell short of those of recent issues but most market observers agreed that under the circumstances, the outcome was good.

Until the Nikkei average's surge on Tuesday led to a worldwide wave of rebounds, there had been concern that the offer of 20.88m shares at 60 cents each might be undersubscribed.

There were 7,252 applications for a total of 47.98m shares with application money totalling S$28.8m (US$16.5m).

Provision Supplies Corp is a chain of mini-supermarkets which, though not as interesting as the offers closing next week of Singapore Petroleum Company and Kay Hian James Capel, the stockbroker, is seen as a solid stock with a steady stream of earnings over the next few years.

Saudi bank up 28% despite tension in Gulf

UNITED Saudi Commercial Bank (USCB) yesterday reported a 28 per cent rise in its net profit during the third quarter of 1990, despite the turmoil in the Saudi banking sector following Iraq's invasion of Kuwait on August 2, AP-DJ reports from Manama.

USCB, the first Saudi bank to announce its third-quarter results, said its performance "has not been materially affected by the Gulf crisis".

Net profit amounted to SR36.3m (US$10m) in the third quarter, up from SR28.3m in the same period of 1989.

However, the bank suffered a considerable withdrawal of customer deposits during the quarter, in common with all the kingdom's commercial banks. Initial fears that Iraqi troops might advance into Saudi Arabia led to a run on bank deposits as residents switched their money out of the Saudi riyal.

INTERNATIONAL CAPITAL MARKETS

Goldman Sachs fund for recovery takes $783m

By Nikki Tait in New York

GOLDMAN SACHS, the US investment bank, has raised $783m from institutional and private investors for its Water Street Corporate Recovery Fund, making the new investment vehicle the second largest in a crop of "turnround funds" created this year.

The fund was formally launched in April, and closed at the end of September, although final size was only announced yesterday. Goldman is putting $100m into the fund which, it said, was the investment bank's largest single investment other than in its own properties.

With the demise of the bullish, bid-frenzied conditions of the late 1980s and the onset of recession in the US, interest in investing in distressed companies' stocks has grown on Wall Street. About two dozen "turnround" funds are reckoned to have been set up in 1990.

At the outset, Goldman did not specify the amount of money it expected to raise for the Water Street fund, but set a minimum level of $400m. Like many Wall Street players, the investment bank has raised, and run, a leveraged buyout fund in the past, but this was considerably smaller than the new vehicle.

Investors in the Water Street fund range from pension funds, including those of Du Pont and Ametek, to insurance companies, banks and private individuals. Goldman said that about 70 per cent of the funds raised had come from US-based investors and the rest from overseas.

The fund intends to take an "active investment role" with respect to its holdings, and plans to acquire "substantial positions".

So far, Goldman says that about $200m has been invested in some 14 situations, of which 10 represent "significant holdings".

In some cases, Goldman said that it had acquired up to 40 per cent of the relevant class of securities.

Duracell in $450m refinancing

By John Thornhill

DURACELL, the US battery company which went private in a $1.8bn leveraged buy-out in 1988, has concluded a $450m refinancing deal with nine banks.

The six-year multiple option facility, available in Belgian francs, sterling and Italian lira, was agreed with Bank of America and First Chicago. The seven lead managers were BBL, Banco Commerciale Italiano, Crédit Agricole, Bankers Trust, Manufacturers Hanover Trust, Continental Illinois and Chase Manhattan.

The pricing of the facility starts at 1⅝ percentage points over London interbank offered rates, stepping down to Libor plus 1 point within two years if the company meets financial targets.

The facility will be used to refinance existing bank debt incurred at the time of the buy-out, arranged by Kohlberg Kravis Roberts. It will also more closely align Duracell's debt in Europe with the size of its operations.

The facility will reduce Duracell's borrowing spreads by nearly $5m a year, beginning in the next fiscal year.

Duracell's latest year report for the year to June 30 1990 revealed that total debts outstanding still stood at $1.4bn, although the company's strong cash flow has enabled it to make debt repayments ahead of schedule.

Finland plans to raise $250m to $300m this year

THE Republic of Finland plans to borrow a further $250m to $300m in the capital markets this year and between $800m and $1bn next calendar year, Reuter reports from London.

Dr Kari Nars, Finland's chief financial counsellor, said Finland was not a regular capital markets borrower compared with other Nordic countries.

"Our current account deficit and the need to borrow is not due to lavish government spending, but productive investment," he said.

Finland's cost of borrowing may be affected by last month's decision of US credit-rating agency Moody's Investors Service to place the country on credit-watch for possible downgrading.

Moody's is expected to reach its decision on the rating by the middle of this month, Mr Nars said.

US Treasuries dip at long end after profit-taking

By Karen Zagor in New York and Tracy Corrigan in London

THE PROSPECT of lower interest rates was not enough to support the long end of yesterday's bond market, which suffered from profit-taking in the morning and extended its losses in the afternoon.

In late trading the Treasury's bellwether 30-year bond was off ¹⁄₃₂ point at 98⅞, yielding 8.86 per cent, while shorter-dated maturities were modestly higher throughout the day.

The Federal Reserve entered the open market to arrange overnight system repurchase agreements when Fed funds, the rate at which banks lend to each other, were trading at 8⅛ per cent. The funds ended the day at 8¼ per cent.

Although the Federal Reserve has often used overnight system repurchase agreements to signal an easing of monetary policy, yesterday's move, which adds reserves to the banking system, was seen as purely technical, to combat the firmness of the funds. It is believed that the target for Fed funds is still 8 per cent.

Monetary policy remained the prime concern of yesterday's bond market. Mr Alan Greenspan, chairman of the Federal Reserve, said last month that the Fed would ease after a "credible" budget package was reached. Yesterday, Mr Greenspan referred to the weekend's budget accord as "credible" and "enforceable," but did not say when the Fed might ease credit.

It is, however, widely believed that the Fed will ease once Congress approves the budget package. Analysts at Griggs & Santow expect a new target of 7¾ per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-20	-01/32	12.53	12.60	12.46
		9.000	03/00	84-19	+01/32	11.74	11.91	11.80
		9.000	10/08	83-22	+01/32	11.11	11.27	11.20
US TREASURY *		8.750	08/00	100-05	-07/32	8.71	9.00	8.67
		8.750	08/20	98-25	-12/32	8.86	9.13	9.00
JAPAN	No 119	4.800	6/99	82.3804	-0.143	8.26	8.70	8.12
	No 129	6.400	03/00	91.6777	-0.597	7.94	8.28	7.73
GERMANY		8.500	08/00	96.5800	-0.200	9.04	9.12	9.00
FRANCE	BTAN	9.000	11/95	94.7400	-0.162	10.36	10.46	10.41
	OAT	8.500	03/00	88.1200	-0.260	10.52	10.64	10.41
CANADA *		10.500	07/00	96.1000	-0.600	11.16	11.49	10.72
NETHERLANDS		9.000	07/00	98.4500	-0.080	9.24	9.30	9.10
AUSTRALIA		13.000	07/00	97.2742	0.000	[illegible]	13.71	13.57

London closing, *denotes New York closing

Yields: Local market standard

Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■INTERNATIONAL bond markets rallied in late European trading on Wednesday, encouraged by indications from Mr Greenspan that the recent budget deficit reduction accord will facilitate an easing of market policy by the Federal Reserve.

If short-term rates drop, the resulting fillip to the US bond market would likely follow into the UK, as well as underpinning sterling.

Gilt prices rose ¼ point to ½ point, with buying concentrated at the longer end of the market. Investors have been slow to absorb the positive implications of the economic slowdown for the gilts market, partly because of the UK's uncertain inflation outlook, dealers said. The long gilt future ended at 83⅛, up from Tuesday's close of 82⅞.

■JAPANESE government bonds improved fractionally in London trading.

Dealers say there are still a lot of short positions in the market. The benchmark number 119 ended at 8.28 per cent in London.

■THE French bond market failed to improve, due to a rather nervous tone ahead of today's FFr7bn to FFr9bn Treasury auction. Prices ended unchanged, as trading remained confined to its recent narrow range.

■THE German bond market was closed for the unification day holiday.

● SPANISH electrical utility Hidroelectrica Espanola (Hidrola) has set a seven-year, $300m multicurrency loan, Banco Espanol de Credito (Banesto) said as co-arranger with Banco Bilbao Vizcaya (BBV), Reuter reports from Madrid.

Hungary set to borrow $2.2bn in 1991

HUNGARY will probably have to borrow $2.2bn from foreign creditors next year to service its debt, Reuter reports from Budapest.

National Bank of Hungary said the country planned to borrow between $1bn and $1.2bn from international financial agencies – including the World Bank and the International Monetary Fund – and from the European Community.

The balance will come from NBH bond issues on international capital markets. The NBH has tapped foreign lenders for $2bn so far in 1990 and will probably borrow another $500m before the end of the year. NBH said its foreign debt in convertible currencies stood at $20.5bn at the end of June, $600m less than at the end of December.

The bank said Hungary was preparing a three-year credit agreement with the IMF giving it access to $250m special drawing rights over the next three years. Approval for the loan hinges on whether the IMF accepts Hungary's steps towards restructuring its economy along free market lines. An IMF delegation is due to visit Budapest this month, when Hungary will probably request an extraordinary loan to help finance the damage caused by severe drought, the collapse of the Comecon eastern bloc trading system and the sharp rise in oil prices as a result of the Gulf crisis.

Hungary also expects to get about $300m to $400m from the World Bank next year, and will have access to a $300m tranche of an EC loan signed this year.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 3

U.S. DOLLAR STRAIGHTS / DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS / YEN STRAIGHTS: [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible rows]					
KI 15 1/2 92 A$	100	101¼	102¼		14.08
MCDONALDS CANADA 15 95 A$	200	102½	103		14.18
NAT AUSTRALIA BANK 14 3/4 94 A$	150	102¼	102¾		13.83
STATE BK NSW 14 1/4 99 A$	100	100	100¾	+¼	14.25
VOLKSWAGEN INTL 15 94 A$	100	103	103¼		13.79
ABBEY NATL TREAS 13 3/8 95 £	100	100¼	100¾	+¼	13.27
BARCLAYS JERSEY 9 1/2 93 £	250	91¾	92¼		13.45
BRITISH GAS 12 3/4 95 £	150	99¾	100¼		12.73
DEUTSCHE BK FIN 11 94 £	225	94½	95		13.05
EIB 10 97 £	300	87¾	88¼	-¼	12.88
FORD CREDIT FUNDING 9 5/8 93 £	50	91¼	91¾		13.88
INTER AMER DEV 11 3/8 95 £	75	95¼	95¾		12.71
ITALY 10 1/2 14 £	400	85½	85¾	-⅛	12.46
LAND SECS 9 1/2 07 £	200	72½	73	-⅛	13.77
LEEDS PERMANENT 9 1/4 93 £	50	90½	91		13.69
NORWAY 10 1/2 94 £	200	93½	93¾	+¼	12.95
ROLLS-ROYCE 9 5/8 93 £	150	90¾	91¼		13.78
SAINSBURY 10 7/8 93 £	100	94½	95¼		13.72
[illegible] £	100	99¼	99¾		13.34
WORLD BANK 11 1/4 95 £	100	95¼	95¾		12.62
ABBEY NATIONAL 0 96 NZ$	100	45¼	46¼		14.12
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	100¼	101¼	+¼	13.01
AIDC 7 7/8 93 FFr	600	92¼	92¾	-⅛	11.11
CREDIT LYONNAIS 10 95 FFr	2000	96¼	96¾	-⅛	11.04
EURATOM 7 5/8 98 FFr	900	82½	83	-⅛	11.10

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.96	100.03	15.0000
ALBERTA PROVINCE 1/32 93	300	99.95	100.06	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.88	99.93	15.0800
BANCO ROMA 0.03 01	200	93.96	94.66	8.4875
BANCO SANTO SPIRITO 93	200	99.53	99.63	8.4375
BELGIUM 1/16 97 DM	500	99.98	100.08	8.8125
BFCE -0.02 96	350	99.70	99.80	8.4175
BNP 05	300	98.10	98.31	8.6000
[illegible] 96 £	150	99.89	99.94	15.1000
CITICORP 1/4 98	500	88.00	90.63	8.3125
CITIZENS FED 0.15 96	100	99.42	99.83	8.2125
COMMERZBK O/S FIN 93	200	99.51	99.61	7.9375
DENMARK -1/8 96	1000	98.97	99.07	8.0000
FERRO DEL STAT 94	200	100.12	100.23	8.2500
HALIFAX 1/10 94 £	200	100.01	100.06	15.1000
MITSUI FIN ASIA 1/8 96	100	99.93	100.03	8.1875
MORGAN (JP) 1/4 97	250	98.51	99.22	8.9000
NAT WEST FIN 3/16 05	400	95.25	95.81	8.8125
NEW ZEALAND 93	500	99.41	99.51	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.41	99.95	8.1625
PORTUGAL 0.05 93	700	99.90	100.00	8.4375
QUEBEC PROV 01	300	97.27	97.40	8.5000
RENFE 98	500	99.57	99.68	8.5000
SOCIETE GENERALE 96	300	98.91	99.01	8.0000
UNITED KINGDOM -1/8 96	4000	99.77	99.80	8.2500
WELLS FARGO 1/16 94	150	96.83	97.47	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	102¼	103¼	+25.47
ASDA-MFI 4 3/4 02 £	100	1.64	106¼	107¼	+46.36
BURTON GROUP 4 3/4 01 £	110	3.15	103¼	104¼	
EASTMAN KODAK 6 3/8 01	300	90.67	91¾	92¾	+32.51
GOLD KALGOORLIE 7 1/2 00	65	1.0554	80¼	81¼	+14.85
GOODYEAR TIRE 6 7/8 03	150	60¼	60½	61½	
GRACE (WR) 6 1/4 02	150	42¼	69½	70½	+37.21
GRAND MET 6 1/4 02 £	100	6.58	87	88¼	+3.71
HAWLEY 6 02 PREF	400	1.91	102½	103¼	+15.18
HILLSDOWN 4 1/2 02 £	150	4.16	99½	100¾	+62.73
INTL PAPER 5 3/4 02	200	68¼	82	83	+21.45
LAND SECS 6 3/4 02 £	84	6.72	77¼	78¼	+11.36
MITSUBISHI BK 1 3/4 02	900	2727.1	62	64	+2.43
OGDEN 6 02	85	39.077	68¼	69¼	+48.49
PACIFIC DUNLOP 6 3/4 97	75	3.749	100¾	101¾	+0.15
TEXAS INSTRUMENTS 2 3/4 02	300	82½	76¼	77¼	
THORN EMI 5 3/4 04 £	103	7.45	100¾	101¼	+25.89

* No information available – previous day's price

‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month [illegible] above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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INTERNATIONAL CAPITAL MARKETS

Insurer in Sch200m preference share launch

By Tracy Corrigan

BUNDESLÄNDER, Austria's second largest insurance group, plans to launch an Sch200m offering of non-voting preference shares, including a substantial international tranche, despite the doldrums in the world's stock markets.

The company will use the proceeds to finance expansion into eastern Europe.

The issue of up to 2,000 shares, to be priced on October 22, will be underwritten by Raiffeisen Zentralbank. The preferential dividend is expected to be 6 per cent, and the offering period runs from October 23 to October 30.

Bundesländer plans to set up in business in Hungary. The company has made overtures to two Czechoslovakian firms, with a view to starting joint ventures so that it can conform to the country's licensing requirements.

Bundesländer also plans to pursue expansion in the European Community, through joint ventures with international partners such as UAP of France.

The Austrian insurance company selected Czechoslovakia and Hungary as target markets because of the cultural affinity between the countries, according to Dr Walter Petrak, chief executive of Bundesländer. He believes there will be a surge in demand for insurance in eastern Europe, particularly life insurance, as the economy grows.

This is the company's first public offering of preferred stock, but international investors have built up substantial holdings in Bundesländer's participation certificates, issued in the Austrian market in 1987.

Because the net asset value of the company's property is calculated according to original purchase prices rather than market prices, the real value is at least 10 times the book value, according to RZB.

Despite the weakness in international stock markets, the company is able to raise cheaper funds by issuing equity than debt.

'Little dragon' share markets take stock of liberalisation

John Ridding examines the effect of current depression on moves to open South Korea and Taiwan to foreign investors

Until recently the fastest growing in the world, the share markets of South Korea and Taiwan are now among the worst performers. Seoul's composite share index is more than 40 per cent below its April peak while Taipei's share market has fallen 80 per cent since February.

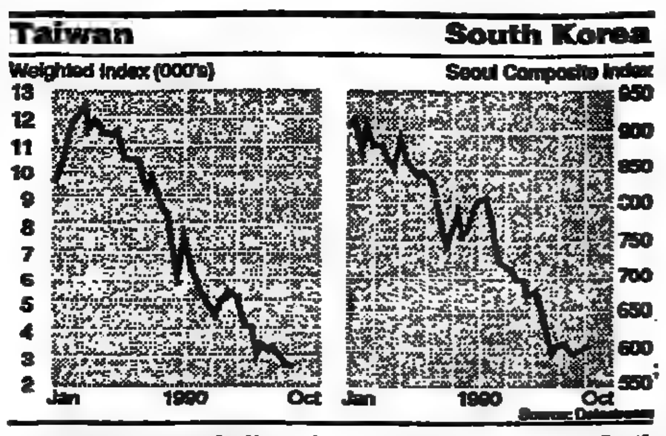
Like much else about South Korea and Taiwan, the fiercest of east Asia's "little dragon" economies, the behaviour of their stock markets and the challenges facing their securities industries appear similar.

Both stock markets have enjoyed rapid growth on the back of booming liquidity, fuelled partly by large trade surpluses: both have been highly speculative with individual investors playing a prominent role.

But the similarities are also deceptive.

Most importantly, the depression in the two markets is prompting different reactions to the process of financial liberalisation which aims to open both markets to foreign investors.

In Taipei, the Securities and Exchange Commission recently announced plans to accelerate liberalisation and bring forward to early 1991 the date for the opening of the market to foreign institutional investors.



In contrast, the decline of the market has raised fears in Seoul that the pace of liberalisation might slow.

Domestic securities companies lead a vocal lobby. They are demanding a revision to the timetable which says foreign brokers can establish branch offices from 1991 with direct foreign investment the following year.

Opponents of liberalisation argue that at a time of market weakness it will enable foreigners to buy into Korean companies at undervalued prices. At the same time, they say that the domestic securities industry is ill prepared to cope with international competitors.

Mr Chung Yong Euy, South Korea's finance minister, has reiterated his commitment to open markets in 1992. He confirmed last month that foreign brokers would be allowed to set up branch operations in Korea from next year. None the less, the sheer pace at which liberalisation is being pursued in Taiwan illustrates vividly the difference in financial aims and attitudes between the two countries.

Part of the difference is personal. Taiwan's apparent haste is to some extent a reflection of the character of Mr Wang Chien Hsien, its finance minister. "I just want to do things more quickly. My personality is like this. I walk very quick and I eat very quick," he says.

There is also a general dislike of the detailed timetables and procedures embraced by Seoul. "We regard timetables as objectionable in principle and unworkable in practice," declares an official at the SEC in Taipei. "We would just look foolish if we had to keep changing our schedule."

But personalities and characteristics aside, the apparent speed of Taiwan's move is also a reflection of the greater need for action. Not only has Taiwan's market fallen further, faster, than its South Korean counterpart, it has also been more volatile.

Individual investors typically account for almost 90 per cent of trading, compared with about 60 per cent in Seoul. Large unlicensed investment houses have used their substantial assets to generate fluctuations in the market, which has often turned over its entire capitalisation in one month.

For Mr Wang and his colleagues, therefore, the market opening scheme has two main purposes. Most immediately, it will assist in rescuing the market from current low levels. But it will also increase the influence of more stable institutional investors.

In South Korea, by contrast, the admission of foreigners as a means to boost the market is not the principal concern. Instead, the worry that international investors – particularly Japanese – could buy equity in Korean companies on the cheap has tended to represent a greater disincentive. "In that respect we have a less well developed sense of xenophobia," quips one Taiwanese broker.

Wang Chien Hsien: 'I walk very quick and I eat very quick'

The incentives for Korea are: to satisfy international demands for capital market liberalisation, to improve the competitiveness of the local industry and to receive reciprocal treatment for Koreans looking to invest or raise money overseas.

But complaints that Taiwan is moving more quickly in addressing these needs are perhaps misleading.

In most respects, Korea has already progressed further than its east Asian rival. Taiwanese companies have launched only one, unsuccessful, equity-linked instrument on the international market while Korean groups have been regularly tapping international markets since Samsung Electronics issued the first Korean convertible bond in 1985.

Although most recent issues have been postponed because of the condition of the underlying market, foreigners wanting exposure to Korean equities have about a dozen convertible bonds and bonds with warrants, and about 10 different internationally traded funds to choose from. In Taiwan the choice is one bond and three funds.

The latest measures announced by the Taiwanese authorities are also more conservative than they initially appeared. Foreign investors are required to keep their investment capital in Taiwan for a full year, are allowed to repatriate profits only once every 12 months and must use local brokers for their transactions. The maximum investment allowed by any single investor is $50m.

In Korea limits are likely to be placed on investments, and most analysts expect a ceiling of between 5 and 10 per cent on foreign ownership of each quoted company.

However, one government adviser on financial policy predicts that "the opening will not be limited to institutions, nor will we place such strict requirements on capital flows".

But many, particularly foreign securities companies, remain to be convinced. "The assumption has always been that a number of conditions must be satisfied for market opening," says Mr Todd Kilborn, director of research of James Capel in Seoul.

"The market would have to be strong, interest rates would have to come down to prevent a large capital influx, inflation must be under control and the exchange rate must be stable. These conditions haven't been met and I wouldn't be surprised if we see some backpedalling on liberalisation."

But for Korea as well as Taiwan, what is clear is that liberalisation will continue to be a gradual, cautious process. Despite their differences in approach and aims, both will take time to loosen the regulatory chains which have bound their financial systems.

NatWest in variable-rate deal

By Simon London

NATIONAL Westminster Bank moved yesterday to bolster its capital ratios with a $250m subordinated variable rate note issue. The issue will count as lower tier-two capital under the Basle accord on international banks' capital adequacy.

The 10-year paper will pay a first coupon of 0.1875 percentage points over the three-month London interbank offered rate, after which the coupon will be set by agreement between the issuer and Salomon Brothers, the sole lead manager. If no agreement can be reached, the spread will revert to 60 basis points over three-month Libor.

The issue is the sixth for National Westminster with the subordinated variable-rate note structure, of which two have been via Salomon Brothers and four by Merrill Lynch.

Several more VRN issues are expected before the year-end, as European banks act to maintain capital adequacy ratios. However, analysts note that the capital requirements of European banks are substantially less than Japanese institutions, which have raised $4bn in subordinated floating-rate debt in the last month.

INTERNATIONAL BONDS

The European Investment Bank followed Tuesday's matador issue with a long-dated $56.516m floating-rate issue via J.P. Morgan Securities.

The 18-year global note issue pays 10 basis points over six month Libor. The deal has an unusually long maturity for an EIB issue, but was tailored for a particular customer with a specific dollar borrowing requirement. The EIB also launched a BFr6bn eight-year issue into the Belgian market yesterday.

A representative for the EIB said it had trimmed its borrowing programme, but this had been driven by a fall in demand from customers rather than difficult bond market conditions. In the past, the EIB has faced increased funding demand in the last two months of the year, and it remains to be seen whether this will materialise. He denied persistent market rumours that it planned a "jumbo" Ecu issue in the near future.

Today, the Finnish Export Corporation is expected to announce pricing of a $300m three-year bond issue via Morgan Stanley.

The Japanese Finance Corporation for Municipal Enterprises has made a $150m issue of 10-year Yankee bonds via Morgan Stanley. The guaranteed, triple-A rated bonds carry a coupon of 9⅜ per cent, and were issued to yield 52 basis points over equivalent US Treasury stock.

● J.P. Morgan, the US securities house, is tipped to be lead manager for Turkey's postponed first sovereign issue of around $200m of Yankee bonds, now expected before the end of November, Reuter reports.

● PaineWebber has priced $500m of Real Estate Mortgage Investment Conduit (REMIC) securities. Collateralised Mortgage Obligation Trust Series Q was backed by Government National Mortgage Association pass-through securities with a coupon of 9 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nat.Westminster Bk(g)♦♦	250	(g)	100	2000	-	Salomon Bros.
EIB(e)†♦	56.516	(e)	100	2008	-	JP Morgan Secs.
Mitsubishi Capital(b)♦	15	(b)	102	1992	2/1¼	Mitsubishi Fin.
Mitsubishi Capital(c)♦	9	(c)	102	1993	2/1¼	Mitsubishi Fin.
Mitsubishi Capital(d)♦	25	(d)	100.30	1992	30/15bp	Mitsubishi Fin.
Nippon Columbia Co.(f)‡♦	100	5	100	1994	2⅛/1½	Nomura Int.
SWISS FRANCS						
Europaeische Hypo'bk(a)★★♦	50	7½	100⅞	1994	-	Deutsche Bk (Switz)
DANISH KRONER						
Kredietbk Int.Fin.(a)♦	300	10¼	102	1995	1⅞/1¼	Kredietbank NV
YEN						
Unibank(a)♦	1.5bn	9	101⅛	1992	1⅛/⅝	Nippon Credit Int.

★★Private placement. ‡Convertible. †Floating rate note. ‡With equity warrants. ♦Variable rate notes. ♦Final terms. a) Non-callable. b) Coupon pays 3-month Libor plus 95bp for first 2 years, then fixed at 10% thereafter. Callable from 22/10/92. c) Coupon pays 3-month Libor plus 60bp for first 3 years, then fixed at 10% thereafter. Callable from 22/10/93. d) Coupon pays 3-month Libor plus 22.5bp for first 2 years then, 24.25 minus 6-month Libor multiplied by 1.5 thereafter. Callable from 22/10/92. e) Coupon pays 10bp over 6-month Libor. f) Coupon was indicated at 5½%. Exercise premium fixed at 2.5%. Non-callable. g) Initial coupon pays 3-month Libor plus 0.1875% then coupon payments set quarterly by agreement between Natwest and Salomon Bros. In the event that margin cannot be agreed, coupon will pay 3-month Libor plus 0.6%.

Hafnia shows pre-tax decline to DKr1.04bn

By Our Copenhagen Correspondent

HAFNIA, the Danish insurance and investment group, recorded a pre-tax profit of DKr1.04bn ($176m) for the first half of 1990, compared with DKr1.22bn for the same period last year. Net profits were DKr661m, down from 1989's DKr725m.

Hafnia said that its first-half result was satisfactory, given swings in currency and interest rates, but warned current international instability could influence full-year results.

While it did not expect an increase in tax this year, its results would be affected in the long run by the higher tax burden imposed on Danish insurance companies.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday October 3 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Oct 2 Index No.	Mon Oct 1 Index No.	Fri Sep 28 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	706.14	+0.9	15.80	6.72	7.74	29.40	699.53	690.10	675.36	961.01
2	Building Materials (26)	905.73	+0.7	16.20	6.73	7.60	34.59	899.73	884.68	864.16	1157.22
3	Contracting, Construction (35)	1055.91	+0.1	20.11	7.53	6.50	50.99	1054.96	1038.21	1018.06	1574.96
4	Electricals (10)	1920.07	+0.1	14.64	6.95	8.35	73.06	1918.49	1903.33	1857.04	2801.36
5	Electronics (26)	1584.34	+1.5	10.60	5.40	12.89	56.74	1561.70	1542.28	1510.77	2111.44
6	Engineering-Aerospace (8)	430.27	+0.5	15.64	5.60	7.68	15.17	427.51	419.09	408.06	0.00
7	Engineering-General (47)	370.88	+0.5	16.37	7.00	7.44	15.76	369.01	366.70	361.71	0.00
8	Metals and Metal Forming (8)	408.45	+1.7	27.90	8.18	4.36	17.02	401.65	390.74	384.16	496.82
9	Motors (13)	281.68	+0.7	18.14	8.43	6.42	14.36	279.71	276.28	267.73	376.21
10	Other Industrial Materials (23)	1199.62	+1.4	14.04	6.80	8.23	56.53	1182.61	1171.08	1146.00	1762.79
21	CONSUMER GROUP (176)	1172.09	+1.1	10.56	4.40	11.70	29.31	1159.22	1141.35	1123.61	1326.05
22	Brewers and Distillers (22)	1452.09	+2.6	10.78	4.07	11.24	33.47	1415.63	1394.45	1378.48	1480.95
25	Food Manufacturing (18)	1014.48	+1.3	11.45	4.81	10.77	24.61	1001.58	985.43	973.49	1171.88
26	Food Retailing (17)	2321.33	+1.0	10.28	3.60	12.39	50.82	2297.43	2265.91	2237.03	2492.53
27	Health and Household (16)	2425.58	+0.9	7.32	3.07	16.20	47.38	2404.88	2350.81	2292.65	2534.21
29	Leisure (32)	1161.87	+1.2	12.90	5.41	9.38	36.79	1148.27	1134.32	1120.48	1731.30
31	Packaging & Paper (12)	481.19	+0.1	13.38	7.23	9.18	22.54	480.85	474.60	470.91	591.51
32	Publishing & Printing (14)	2805.23	-0.6	12.80	6.66	9.78	118.56	2821.18	2795.71	2764.16	3722.09
34	Stores (33)	747.59	+0.3	11.84	4.99	10.99	18.36	745.26	737.69	725.01	838.99
35	Textiles (12)	406.60	+0.4	14.66	8.73	8.65	19.76	404.96	398.31	395.22	568.02
40	OTHER GROUPS (107)	978.98	+1.1	12.92	5.99	9.38	31.51	967.92	956.55	937.04	1183.65
41	Agencies (16)	1148.12	-1.0	9.46	2.89	12.83	22.00	1160.13	1111.65	1070.84	1569.39
42	Chemicals (24)	1007.79	+1.3	13.18	6.61	8.97	46.23	995.06	973.65	955.26	1275.51
43	Conglomerates (15)	1300.10	+0.9	13.01	7.70	9.24	35.71	1288.85	1264.67	1234.77	1661.01
44	Transport (14)	1805.51	+0.8	13.41	5.80	9.45	65.20	1791.39	1761.60	1740.24	2307.78
46	Telephone Networks (3)	1077.76	+2.1	12.14	5.07	10.72	26.09	1055.97	1061.32	1039.44	1152.61
47	Water (10)	1939.19	-0.8	15.90	6.98	7.07	68.12	1954.69	1943.32	1936.20	0.00
48	Miscellaneous (25)	1540.15	+1.8	13.60	5.84	8.44	61.39	1512.19	1497.86	1461.36	1980.17
49	INDUSTRIAL GROUP (479)	1000.54	+1.1	12.45	5.41	9.83	30.96	989.82	976.11	958.21	1208.10
51	Oil & Gas (21)	2359.52	+0.9	10.56	5.29	12.39	84.75	2339.27	2330.64	2314.52	2201.75
59	500 SHARE INDEX (500)	1111.41	+1.0	12.15	5.39	10.17	35.28	1099.87	1086.44	1068.52	1292.28
61	FINANCIAL GROUP (103)	667.70	+2.2	--	7.10	–	31.27	653.49	644.77	630.28	800.90
62	Banks (9)	712.58	+3.0	22.94	8.06	5.71	41.50	691.98	676.74	658.02	802.98
65	Insurance (Life) (7)	1308.54	+2.1	–	5.86	–	54.97	1282.19	1268.66	1248.26	1256.86
66	Insurance (Composite) (6)	577.28	+2.5	–	7.35	–	27.35	563.05	556.50	537.62	659.55
67	Insurance (Brokers) (8)	820.75	+2.5	10.91	7.88	11.98	40.46	800.86	774.04	772.09	1050.38
68	Merchant Banks (7)	334.79	+1.9	–	6.11	–	12.31	328.57	325.46	324.23	410.11
69	Property (45)	868.34	+0.7	8.70	5.60	15.18	24.52	862.14	864.62	848.36	1312.01
70	Other Financial (21)	235.19	——	11.96	7.42	10.86	10.30	235.10	233.78	234.14	356.02
71	Investment Trusts (66)	991.48	+0.3	–	3.98	–	24.36	988.67	971.12	954.21	1258.45
91	Overseas Traders (5)	1159.41	+1.3	12.40	7.95	9.60	59.65	1144.93	1121.60	1115.30	1388.36
99	ALL-SHARE INDEX (674)	1003.28	+1.2	–	5.60	–	33.89	991.56	979.09	962.18	1172.99

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 2	Oct 1	Sep 28	Sep 27	Sep 26	Year ago
FT-SE 100 SHARE INDEX‡	2087.0	+28.5	2087.2	2050.2	2058.5	2050.8	1990.2	2009.1	2000.0	2312.1

FIXED INTEREST

	PRICE INDICES	Wed Oct 3	Day's change %	Tue Oct 2	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.21	+0.03	116.18	–	9.71
2	5-15 years	120.68	+0.07	120.59	–	10.23
3	Over 15 years	121.42	+0.04	121.37	–	9.84
4	Irredeemables	139.83	-0.13	140.01	–	8.85
5	All stocks	121.09	+0.05	121.02	–	10.12
	Index-Linked					
6	Up to 5 years	153.35	+0.37	152.79	–	2.46
7	Over 5 years	138.09	+0.10	137.95	–	3.12
8	All stocks	139.12	+0.12	138.96	–	3.06
9	Debentures & Loans	98.91	-0.40	99.30	–	8.99
10	Preference	72.25	-0.04	72.28	–	5.23

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 3	Tue Oct 2	Year ago (approx.)
	British Government				
1	Low	5 years	11.04	11.09	10.32
2	Coupons	15 years	11.03	11.05	9.64
3		25 years	11.03	11.03	9.50
4	Medium	5 years	12.10	12.10	11.21
5	Coupons	15 years	11.53	11.54	10.04
6		25 years	11.24	11.25	9.62
7	High	5 years	12.17	12.18	11.32
8	Coupons	15 years	11.79	11.80	10.24
9		25 years	11.54	11.55	9.77
10	Irredeemables		11.15	11.13	9.57
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.26	4.42	3.65
12	Inflation rate 5%	Over 5 yrs.	4.34	4.35	3.66
13	Inflation rate 10%	Up to 5 yrs.	3.08	3.23	2.84
14	Inflation rate 10%	Over 5 yrs.	4.16	4.17	3.50
15	Debs &	5 years	14.37	14.16	13.39
16	Loans	15 years	13.18	13.08	12.27
17		25 years	12.77	12.71	11.59
18	Preference		13.10	13.09	10.45

‡Opening index 2050.4; 9 am 2050.5; 10 am 2054.2; 11 am 2062.5; Noon 2066.8; 1 pm 2074.4; 2 pm 2078.0; 2.30 pm 2077.2; 3 pm 2074.8; 4.10 pm 2081.6 (a) 4.28pm (b) 9.03am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	10	48
Corporations, Dominion and Foreign Bonds	8	0	13
Industrials	332	291	938
Financial and Properties	164	142	434
Oils	20	32	38
Plantations	0	2	8
Mines	15	53	88
Others	45	77	[illegible]
Totals	619	607	1,665

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or–	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct. 1
● Last Dealings Oct. 12
● Last Declarations Jan. 10
● For settlement Jan. 21

For rate indications see end of London Share Service

Calls in Avian Pet, Conroy Pet, CH India, Davy Corp., Tusker Res., LIT Hldgs. and Community Hospitals. Puts in Maxwell Commun. and McAlpine (A).

LONDON TRADED OPTIONS

THE December FT-SE 100 futures index rose sharply yesterday as a large buyer appeared just before the close and also on talk that sterling was about to join the exchange rate mechanism of the European Monetary System.

December FT-SE finished at 2,159, up 44 points on the day, compared with the spot FT-SE index, which ended at 2,087, up 28. December's premium over the cash index finished at 72 points, its widest since December replaced September as the active futures contract.

The advance also took the contract for the first time clearly above fair value, which is where brokers forecast the FT-SE index would be at the end of December. Based on projected dividend payments and the cost of finance, fair value is estimated at about 55 points.

The strong advance came as GNI bought 1,000 contracts, said to be on behalf of a UK merchant bank, 30 minutes before the close. This coincided with the speculation about sterling joining the ERM.

However, the rally failed to affect the stockmarket. Dealers said this indicated that the movement in the futures market had been based on technical factors.

In the traded options market, STC remained the busiest option as its shares continued to rise on takeover speculation. A total of 2,020 STC options were traded, equivalent to 2m shares, and compared with turnover of 1.8m in the cash market. Calls were the bulk of business and the January 280 were the most popular.

The other busier stocks included Trusthouse Forte (1,836 lots); British Airways (1,560); GEC (1,553); and Rolls-Royce (1,542).

Total options market turnover, at 33,492 contracts, was down slightly on the previous session. The FT-SE 100 index options traded 13,826 against 14,191.

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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How? First by helping to keep them in their own familiar homes and later, if health deteriorates, in one of THIRTEEN Residential and Nursing Homes maintained by the Charity where the company and conversation of kindred spirits makes growing old a pleasure instead of a penalty.

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.... 7

INTERNATIONAL APPOINTMENTS

Mayne Nickless appoints member of board

MAYNE NICKLESS, the Australian transport and security group, said that Mr R. Clark had accepted an invitation to join the board.

Mr Clark, pictured right, recently retired as managing director of National Australia Bank, which he joined in 1946. Mr Clark will continue as executive director and consultant to the bank until July next year. He is also a director of Boral, the building industry group, and the IBM Asia Pacific advisory board.

Mr Bruce Redpath, Mayne Nickless chairman, said: "Mr Clark will bring to Mayne Nickless the advantage of his vast business knowledge and experience gained throughout a long and very distinguished career in the banking industry."

* * *

Eni, the Italian state-owned energy group, appointed Mr Enrico Ferranti as finance director, replacing Mr Giovanni Ciccone.

Mr Ferranti, 46, had a banking background when he joined Eni in 1977 to run its financial studies service. From 1986 he has been vice-director of finance for international financial dealings and foreign currency balance.

In January this year he also assumed the post of managing director of Eni International Holding, the sector-head company that manages Eni Group holdings abroad.

* * *

OWENS-CORNING Fiberglas said that Mr Max O. Weber had assumed the positions of chairman and chief executive, succeeding Mr William Boeschenstein, who is retiring at the age of 65.

Mr Weber, 60, was formerly president and chief operating officer. Mr Boeschenstein will remain a director of the company. Owens-Corning initially announced the appointments at its annual meeting in April.

* * *

UNISYS, the US computer manufacturer, named Mr J. Carl Masi vice-president of corporate marketing. He will be responsible for guiding the refinement and implementation of the company's line-of-business strategies on a worldwide basis.

Mr Masi, 49, was chairman and chief executive of International Data Corp and an executive vice-president at Wang Laboratories.

* * *

GE CAPITAL, the large financial services arm of General Electric of the US, has appointed Mr Francois de Carbonnel as president and chief executive officer of GE Capital Europe.

Based in Paris, his principal responsibility will be to develop venture, acquisition and start-up opportunities for GE Capital in Europe.

Mr de Carbonnel was formerly president of Strategic Planning Associates. He holds many degrees from both French and American universities and has written several books on strategy.

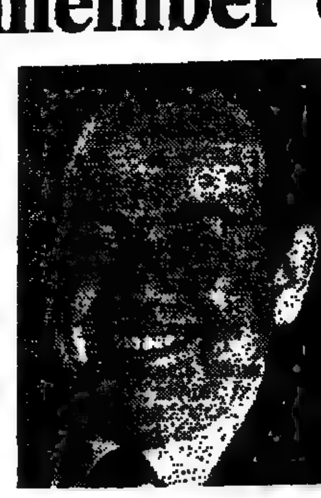
* * *

FEDERAL EXPRESS, the US overnight delivery service group, has promoted Mr William Razzouk to senior vice-president, sales and customer information.

In addition to administering US and international sales, Mr Razzouk will be responsible for customer automation and invoicing.

He joined the company in 1983, and since 1988 has been serving as vice-president, US sales. He previously worked as vice-president and general manager at Rolm before the telecommunications equipment concern was taken over by IBM in 1984.

* * *



US-BASED Alexander & Alexander Services, the world's second largest insurance broker, has elected as deputy chairmen Mr William Wilson and Mr Michael White.

Chairman and chief executive Mr T.H. Irvin stated that the two, previously serving as executive vice-presidents, were joining him to form an office of the chairman. This is being created to enhance the operational co-ordination of A & A's companies.

Mr Irvin added: "My decision to form an office of the chairman reflects the globalisation process that we have been undergoing over the last several years."

* * *

MOBIL, the second largest US oil group after Exxon, said that Mr Richard F. Tucker had decided to retire on May 1 next year as corporate vice-chairman and president of its Mobil Oil Corp subsidiary. He will then be 64.

From the start of next month Mr Tucker will undertake a broad review of Mobil's changing business environment, and his administrative responsibilities will be lightened.

* * *

TRANSLINK, the mergers and acquisitions advisory company specialising in arranging cross-border acquisitions in the European Community, announced the appointment of Mr Nicholas Bradshaw to its Paris office. Mr Bradshaw will join as a partner and managing director of Translink SA.

Translink, after recently strengthening its presence in London and after opening a Swedish office recently, is now further increasing its M&A staff in Paris.

* * *

GENSIA Pharmaceuticals announced that Dr David A. Shapiro has joined the company as vice-president, clinical research, reporting to Dr Walter Singleton, vice president of medical and pharmaceutical development.

Dr Shapiro will be involved in directing, planning and executing Gensia's clinical research programmes, according to Mr David F. Hale, president and chief executive officer.

* * *

MR CHARLES MANY was named president of NYNEX Network Systems, a subsidiary of NYNEX's worldwide information and cellular services group.

Before joining Network Systems Company, Mr Many, pictured left, was president of NYNEX Mobile Communications Company where he was responsible for the supervision of the company's cellular telephone service, its retail and installation operations in the New York-New Jersey metropolitan area.

* * *

ANGLO Irish Bank has appointed Mr Tim O'Grady Walshe as a non-executive director. Mr O'Grady Walshe retired recently from the position of general manager with the Central Bank of Ireland.

A former president of the Institute of Bankers, Mr O'Grady Walshe has been a member of the EC Monetary Committee, chairman of the EC Banking Advisory Committee and a member of the Alternate Governors of EC Central Banks.

* * *

AUSTRALIA and New Zealand Bank has made three senior appointments in the Asia Pacific region following the expansion of its international private banking network in the area.

Mr Michael Sharp has been appointed regional chief manager, Asia Pacific. He is based at the bank's newly-opened Singapore regional office.

Mr Sharp was previously assistant general manager, capital markets, at ANZ McCaughan Limited, the ANZ Group's merchant bank in Australia.

Mr Jean Wets has been promoted from ANZ's Geneva private banking subsidiary to become regional manager, South East Asia – Private Banking, also in Singapore.

Mr Eric Thelwell has been appointed regional manager, North Asia – private banking, based in Hong Kong. Mr Thelwell was previously assistant general manager, private banking, in London.

Hungry to challenge the heavyweight Japanese and US microchip industries, the French Italian company SGS Thomson decided to acquire the British company Inmos. SGS Thomson saw Inmos' state-of-the-art products as a crucial ingredient in their strategy for competing in the global market.

And naturally, they selected Arthur Andersen to ensure there were no hiccups.

Our in-depth knowledge of European tax structures and understanding of local business markets were key factors in their choice. But so too was our ability to add commercially driven tax advice and money saving opportunities into the mix.

Happily, it was a recipe for success.

Which proves that with major acquisitions, we don't make a meal of it.

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ARTHUR ANDERSEN & CO, SC

ARTHUR ANDERSEN TAX AND LAW* CONSULTANTS
(*In countries where professional regulations permit.)

FINANCIAL TIMES CONFERENCES

FT CITY COURSE
8 October-26 November

The FT-City Course is designed for employees in companies with interests in the City to provide a broader understanding of all aspects of the operations of the City of London and the factors that make it a pre-eminent financial and trading centre.

The twenty-four distinguished lecturers will consider such topics as the operations of the Bank of England and its relations with other central banks, the role of the clearing banks, merchant banks, investment banks and the operation of the discount market. The syllabus will examine the changing role of the building societies, the organisation of the commodity markets, the International Stock Exchange and the structure of the UK insurance industry. The programme also looks at the new statutory systems of regulation and compliance. The course will comprise eight weekly afternoon sessions and will take place at the Museum of London.

CAPITAL MARKETS WORKSHOPS
17-19 October; 21-23 November ; 5-7 December - London

The Financial Times/Price Waterhouse Capital Markets Workshops, now in their third successive year, continue to bridge a significant gap in management training. The programme provides intensive coverage, supported by case studies of capital markets activities, ranging from underlying concepts through the specific markets and instruments, to practical guidance on key aspects of management and control of the business including operations, risk management and performance measurement.

Because of the participative nature of the Workshops, places are limited in order to allow maximum benefit from each session. Speakers are drawn from Price Waterhouse's Capital Markets Group and a panel of key individuals from organisations involved in capital markets activities including: Jonathan Britton of Swiss Bank Corporation London; Tony Cooper of Hambros Bank Limited; Bob Fuller of Charterhouse Bank Limited; Ariel Salama of Bankers Trust International Ltd; Richard Kilsby of Charterhouse Bank Limited; Richard Hines of Prudential Corporation plc; Chris Wingfield of Hill Samuel Bank Ltd and Jillian Nathan of the Chicago Board of Trade.

BUY OUTS - THEIR FUTURE
23 & 24 October - London

The Financial Times is arranging a conference on buys outs and their future which is designed to bring together buy outs specialists, venture capitalists, industrialists with operations to sell and managers wanting to buy the enterprises they run.

The conference will focus mostly on Europe and the prospects for the buy outs business in Britain, France, Germany with Italy receiving particular attention. The situation in the United States after the Drexel crisis will also be considered. The speaker list is impressive and the agenda has been drawn up in a way that will particularly interest those with knowledge of the business.

All enquiries should be addressed to:
Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ
Tel: 071-925 2323 (24-hour answering service)
Telex: 27347 FTCONF G Fax: 071-925 2125

Polly Peck has $15m payment seized by bank

By Richard Waters

POLLY PECK International was yesterday facing a new squeeze on its liquidity as it emerged that a $15m (£7.94m) payment from one of its subsidiaries, PPI Del Monte Fresh Produce, was seized last Friday by one of the group's bank creditors.

The seizure is the first sign of any difficulties experienced by Polly Peck, or any of its subsidiaries, in using normal banking channels to make payments around the world.

Were payment channels to seize up, the group would experience significant difficulties in keeping its diversified international activities operating.

Ironically, the $15m was part of a pre-payment of a loan, made at a time when the rest of the group was suffering a severe liquidity squeeze.

The payment was due to pass through the bank payment system when one of the banks handling the transaction refused to disgorge the cash. The bank, believed to be a UK institution, claims that it has a right to set the Del Monte money off against a debt due from PPI itself.

Mr David Fawcus, deputy chief executive of Polly Peck, yesterday refused to discuss the payment. "It is a matter for the banks, and will be dealt with by banks. It will be discussed with the banks on Friday, along with other questions of liquidity."

Mr Fawcus declined to comment on whether Polly Peck had experienced any other difficulties in making payments through the banking system.

PPI's main bank creditors are due to meet at the end of the week to discuss a solution to the group's liquidity problems, which were precipitated by its share price collapse and suspension on September 20.

The $15m was due to be paid from Del Monte to Credit Suisse First Boston (CSFB), which would in turn pay the money out to a syndicate of banks to which it was due.

The money was due to pass through an unnamed UK bank to CSFB, but the bank refused to release the funds, claiming a right of set-off.

Under both US and UK law, banks have a right of set-off under common law, but this generally applies in limited circumstances. "You have to have total mutuality – exactly the same entity making the payment and owing the money," one lawyer said yesterday.

CSFB is believed to be claiming that this did not apply, since the $15m belonged to Del Monte, while the debt was due from PPI.

However, the lawyer added: "In situations like this, banks often take the view that possession is nine-tenths of the law."

CSFB is understood to be out of pocket, having paid $15m of its own money to the banking syndicate in the expectation of receiving the money from Del Monte. However, most loan agreements state that agents have the right to claw money back from the syndicate in such circumstances.

No great escape from tunnelling factory closure

Patrick Harverson on the health of Howden which has stopped heavy manufacturing at Renfrew

TWO WEEKS ago Howden Group, the Scottish engineering company, announced that it would no longer manufacture power station and tunnelling equipment at its plant in Renfrew, near Glasgow, thereby making 500 of its employees redundant in the process.

The decision to end heavy manufacturing at Renfrew stunned the workforce and local community and came almost nine years to the day after the plant had been opened amid much optimism by Mrs Margaret Thatcher, the prime minister.

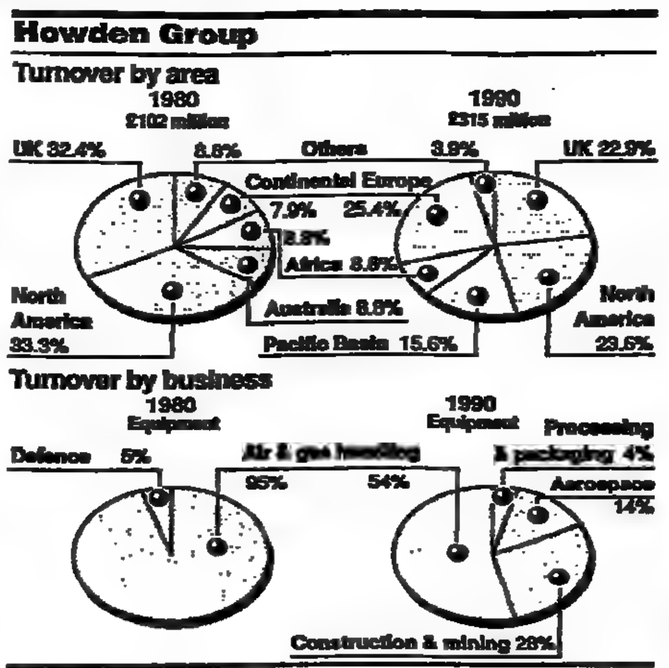
When the announcement was made to drastically scale down operations at Renfrew, attention was focused on the blow dealt to the factory's prospects by the cancellation of a contract to supply power station equipment to Iraq.

The loss of the Iraqi contract and the part-closure of Renfrew is undoubtedly a setback for Howden. As a group it has enjoyed almost uninterrupted success since 1987, when it was forced to pull out of the wind power-generation business after calamitous problems with its equipment at a wind farm in California.

But it would be wrong to see the Renfrew move either as an isolated side-effect of Iraq's aggressions in the Middle East, or as a full-scale retreat in the face of an approaching recession.

It is best seen as a tactical withdrawal at the end of an essential, if somewhat tardy, restructuring of Howden's manufacturing operations.

The reshaping of Howden during the 1980s saw it evolve from a small Scottish engineering company which sold air- and gas-handling equipment



for power stations in the UK and US, into a diversified group which manufactured and sold equipment worldwide for power stations, construction and mining projects, processing and packaging machines for the food industry, and aerospace technology to both the commercial and military sectors.

Howden products vary from a giant tunneller which holds the record for drilling the longest undersea tunnel in the world, to a somewhat smaller machine which puts the bubbles into chocolate bars.

In spite of these successes, for the past year and a half Howden has faced one big problem with its manufacturing operations: insufficient orders for power station and tunnelling equipment to keep its two large manufacturing sites in Renfrew and Belfast busy.

The Belfast plant became Howden's main manufacturing site after the £9.5m acquisition in 1988 of the Davidson group, one of its main competitors in the industrial fan market.

This left the Renfrew factory – originally built to manufacture gas circulators and other equipment for the UK's advanced gas-cooled reactor (AGR) power stations fired by coal – in a precarious position.

Demand for AGR equipment had all but dried up after the government decided it preferred pressurised water reactor power stations to gas-cooled reactor stations. This culminated in the decision last year to scrap plans to build three AGR power stations in the UK.

In an attempt to keep Renfrew busy, Howden had begun to manufacture tunnelling equipment at the plant. The group hoped that continued demand for boring and drilling machines would guarantee regular work for the factory. However, these hopes were dashed when a series of decisions on large infrastructure projects in the UK and abroad were postponed indefinitely.

The delays were the beginning of the end for Renfrew as a large manufacturing site. The embargo on trade with Iraq and the subsequent loss of the £10m Al-Anbar contract only brought the decision day forward.

The drop in demand from the tunnelling industry was particularly upsetting for Howden, which, aided by the £9m acquisition of German group Wirth in 1988, had forged a world lead in tunnelling equipment. Two contracts to provide giant machinery for the Channel Tunnel and the Great Belt project in Denmark had cemented Howden's position as the world's largest provider of tunnelling equipment.

Yet the £40m Great Belt project has proved something of a mixed blessing for the group.

There were delivery problems earlier this year, and the cash required to finance the manufacture of equipment for the project meant the group's borrowings doubled to £48m in 1989. Howden is currently fighting to recover cash owed from Denmark and the group accepts that its gearing remains high at over 58 per cent.

Howden has been fortunate, though, in that the lack of new orders for AGR equipment has been partially offset by demand for its heat exchangers, which are used in the flue-gas desulphurisation of power stations.

The cleaning up of the Drax power station in Yorkshire has provided £20m-worth of work, and Howden stands a good chance of winning the sub-contracts to supply two more large desulphurisation programmes in Nottinghamshire and Yorkshire. A decision on the two is due in the next month.

The move to cease heavy manufacturing at the Renfrew plant does not mean the end for Howden in the town. Although the making of tunnelling equipment will be subcontracted out, the final product will still be assembled at the site. Howden is also reorganising its marketing and research and development operations, which will all be based in Renfrew.

A total of £7m is being spent modernising its facilities throughout the west of Scotland, where 650 staff will be employed.

Howden's management believes the group is better equipped now to survive a recession than it was in 1980, being "leaner and fitter" in all areas of production, marketing, and technological research. (In 1980 4,700 employees produced turnover of £102m; in the last financial year 4,500 employees produced turnover of £315m.)

Aside from tunnelling and power station equipment, the group's aerospace and food processing and packaging equipment divisions are faring well.

Moreover, Howden's wide global spread – it produces and sells in the US, Canada, Germany, Africa, Australasia and south-east Asia – should help cushion the impact of any sharp downturn in UK economic activity.

NEWS DIGEST

Maunders £1.8m land provision

JOHN MAUNDERS, the housebuilding group, has provided £1.79m against its land bank in the June 30 1990 accounts.

This was reflected in pre-tax profits for the year, which declined 24 per cent, from £7.14m to £5.41m.

Mr John Maunders, chairman, said the number of units sold rose from 676 to 695 at an average price of £82,000, against £78,000, and resulted in turnover of £57.52m (£53.08m).

The market, and consequently margins in the south, continued to decline, but demand in the north-west remained fairly stable.

There would obviously be no improvement until interest rates declined and some confidence returned to the home ownership market, he said.

Operating profit came to £8.45m (£9.52m) while interest paid rose to £3.1m (£2.43m). Earnings dropped to 14.47p (19.1p); the dividend is raised to 4.95p (4.75p), with a final of 2.65p.

Cussins loses £1.6m after provisions

Cussins Property Group has made provisions of £2.09m in its southern housebuilding operation within its associate company, and turned in an overall pre-tax loss of £1.6m for the first half of 1990.

That compared with a profit of £2.14m in 1989. On top of the provisions, associates incurred a trading deficit of £409,000 (£175,000 profit).

Turnover fell to £6.64m (£8.36m). Losses per share worked through at 14.6p (earnings 19.5p) and the interim dividend is held at 3.75p. Net asset value was shown to have declined by 18p to 288p over the six months.

Mr Peter Cussins, chairman, said the north-east housebuilding division continued to perform well. Profit margins had not yet come under pressure and he expected gross margins to be maintained at about 28 per cent for the whole year.

In the south the provisions were the amount which might be required to complete the current programme without having to face further losses in subsequent years.

Mr Cussins said the main commercial programme was not heavily exposed in the current downturn and, with much of the programme fully funded, activity was centred around final lettings.

Rental income generated by the fully let property portfolio rose by nearly 8 per cent.

Interest charges rein in Shepherd Neame

Sharply increased interest charges held back profits growth at Shepherd Neame, the Kent-based brewer.

Results for the 12 months to June 30 showed taxable profits ahead just 2 per cent to £3.61m (£3.55m) on turnover up from £22.82m to £25.67m.

Before interest charges, 69 per cent higher at £956,000, operating profits improved by 10 per cent to £4.54m.

The group, best known for its Master Brew bitter, runs an estate of 296 pubs across London and the south east from its Faversham base. In July it purchased 33 pubs from Allied-Lyons for £5.85m. Part of the cost will be funded through property sales.

Mr Robert Neame, chairman, said the group would continue to buy other brewers' houses if appropriate but warned: "There must be a question as to the long-term future of the small back-street or isolated country public house."

A final dividend of 10p lifts the total for the year to 13p (11.5p). The company's A shares are traded under Rule 535 (2).

Restructuring helps Ash & Lacy

"Positive restructuring actions" and the benefits of "good cash management" helped Ash & Lacy increase profits by 8 per cent at the midway stage.

The West Midlands-based galvanising and metal products group raised pre-tax profits from £2.17m to £2.35m in the 26 weeks to June 29.

The increase was achieved on turnover down to £28.12m (£35.76m).

The first half also benefited from no losses from related companies; the comparable period bore a loss of £123,000. This time there was also a contribution of £128,000 from other income, against charges of £128,000 previously.

The interim dividend is unchanged at 2.5p, on earnings per share of 5.94p (5.58p).

Derwent Valley loss of £197,000

A purchaser's failure to complete a transaction contributed to a £197,000 pre-tax loss at Derwent Valley Holdings for the six months to June 30, against £2.4m profit a year ago.

The aborted deal meant property trading profit was nil (£1.29m), although net rental revenue from property rose to £2.3m (£1.9m).

There was a loss per share of 3.1p (20.9p earnings), but an increased dividend of 2.75p (2.5p) is declared.

Sheffield Insulations improves at £3.02m

Increased contributions from all divisions helped Sheffield Insulations Group raise pre-tax profits from £2.26m to £3.02m in the first half of 1990. Turnover was higher at £62.91m, against £52.85m.

Following the opening of a new branch and an acquisition in the period, further growth is planned in the second half with three moves to larger premises and another new branch opening.

The interest charge fell from £202,000 to £33,000 and after tax of £1.15m (£897,000) earnings per share were 8.2p (7.7p) or 7.6p (6.9p) fully diluted. An interim dividend of 1.8p is being paid this time.

Ossory ahead at £7.22m

Ossory Estates, a property investor and developer, reported annual pre-tax profits of £7.22m, against £6.53m.

Mr John Walker, chairman, said the reason for the fall was the relatively small development programme compared with fully-let investment portfolio.

At the year-end the properties were revalued needing an adjustment of £2.92m or 3.5 per cent. Net assets came out at 27p (27.5p).

Turnover for the year to end-June was £38.98m (£22.83m). Interest charges were higher at £3.43m (£1.79m). There was a tax credit of £571,000 (£1.31m charge) and minorities took £3.94m (£329,000) for earnings per share of 1.67p (2.19p).

A final dividend of 0.45p is recommended for a total payment of 0.85p (0.75p).

Ardagh raises sales and productivity

Ardagh, the Dublin-based glass manufacturer, increased taxable profit from I£3.32m to I£4.35m (£3.96m) in the year to June 26. Turnover rose to I£30.64m (I£28.19m).

Increased sales and productivity benefits contributed to the improved performance at Irish Glass.

Directors said competition remained intense, but the growing interest in environmental issues created greater awareness of the advantages of glass as a packaging medium.

Earnings worked through at 20.47p (14.85p). The dividend was raised by 1p to 5p, with a final of 3.75p. There is to be a one-for-one scrip issue.

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FINANCIAL NEWS FROM BANK OF SCOTLAND

Bank of Scotland 1990 Interim Results

	6 months ended 31 August 1990 (unaudited)	6 months ended 31 August 1989 (unaudited)	Year ended 28 February 1990
PRE-TAX PROFIT BEFORE LDC EXCEPTIONAL PROVISIONS	£105.5m	£109.5m	£212.7m
PROFIT BEFORE TAXATION	£105.5m	£96.9m	£193.5m
EARNINGS PER ORDINARY STOCK UNIT	8.3p	7.4p	14.3p
DIVIDEND PER ORDINARY STOCK UNIT	2.00p	1.45p	4.55p
CAPITAL RESOURCES	£1,595m	£1,566m	£1,538m
TOTAL ASSETS	£20,553m	£16,722m	£18,394m

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Notice is hereby given that for the six months interest period from October 3, 1990 to April 3, 1991 (182 days) the Notes will carry an interest rate of 15.1125%. The interest payable on the relevant interest payment date April 3, 1991 will be £7,535.55 per £100,000 denomination.

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IBJ

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Banks accused of jumping the queue for R&T assets

By Jane Fuller

UNSECURED creditors of the construction company Rush & Tompkins, which went into receivership in April owing about £300m, have complained about the way the banks acted to gain a higher place in the queue for proceeds.

To investigate the events, the creditors have appointed Mr Ian Clark, a partner of Kidsons Impey in Manchester, as a liquidator to act on their behalf.

The main complaint centres on the way the banks, led by Lloyds, strengthened their position about five weeks before Rush & Tompkins went into receivership. The upshot has been that while the banks will get some of their money back, the unsecured creditors are set to get nothing.

Mr Clark estimated that about 7,000, mainly trade, creditors were affected, some to the point where it might drive them into liquidation.

Among the events that he will investigate is the move by Lloyds Bank on March 19 to take a fixed and floating charge on all the group's assets. It was acting on its own behalf and as the leader of a consortium of about 14 banks.

According to Mr Clark, before that date the banks' charges on the assets were limited to about £7m and attached to specific properties. "If the group had gone into liquidation on March 18, there were substantial assets to sell off and the ordinary creditors might have got 10p to 20p in the pound, and so might the banks. Now it seems the unsecured creditors will get nothing."

Lloyds said yesterday that it was "given a debenture about five weeks before the creditor banks sent in the receiver". It had followed a laid-down procedure and there was nothing that was not above board.

When Rush & Tompkins went under it was involved in 40 joint venture developments valued together at about £600m. The joint administrative receivers appointed by Lloyds were partners in Touche Ross.

Mr Christopher Morris, one of the receivers, said the accountancy firm was "totally happy about the validity of the appointment."

About half the £300m of debt was owed to unsecured creditors. "As we see it, there will be no funds at all for them." There would also be a "significant shortfall" in the amount repaid to the banks.

He disputed Mr Clark's analysis of what would have happened had the group gone into receivership before the banks extended their charge on the assets.

Slow lettings cut Higgs by 65%

By David Owen

THE IMPACT of slow lettings at the £21m Shipgates Centre retail development in Bolton contributed to a 65 per cent decline in interim profit at Higgs & Hill, the housebuilding, construction and property group.

Pre-tax profit for the six months to June 30 fell from £10.09m to £3.57m. Turnover, by contrast, advanced 20 per cent to £225.5m (£188.5m).

This year's profit figure was after a £4.1m exceptional charge relating to Shipgates, where Higgs has a commitment to carry losses after an initial contribution by Arrowcroft Group, its joint venture partner.

Sir Brian Hill, Higgs chairman, said that the group had taken a prudent view when fixing the level of the charge and had taken into account "all that we can foreseeably see in today's market conditions."

"If the property market further deteriorates, it may be possible that in March we will have to look at it again," he said, emphasising that the project was "by far and away" the biggest of the group's UK developments.

"We are holding back from getting involved in other UK commercial projects until the market improves," Sir Brian explained.

Notwithstanding the decline in profits, Higgs declared a sharply higher interim dividend of 6p (4.4p), reducing funds transferred to reserves to just £156,000 (£5.19m).

The company is taking the step to "provide a more even balance between the interim and final dividends." In April, it recommended a sharply increased final dividend of 15.6p (8p), having earlier staved off a £167m hostile takeover bid from Y J Lovell, the rival construction group.

Higgs said its construction activities continued to perform well, although the level of inquiries had fallen, but the housing market remained "very depressed."

"There will be no recovery of confidence until interest rates are lower," the group projected. "The Government's use of high interest rates to curb inflation is an indiscriminate weapon in the way that it affects our industry."

Interest payable in the half-year was about £2m, while the group said that gearing was below 30 per cent.

Earnings per share fell sharply from 18.5p to 6.8p. The shares, which have fallen steeply since July, lost a further 11p, closing at 268p.

● COMMENT

Construction has taken the strain for Higgs & Hill with housebuilding and UK property moribund and is now likely to account for the lion's share of 1990 profits. With more and more prospective customers feeling the pinch, however, there are signs that even this area of comparative strength is poised to weaken.

With lower interest rates thought unlikely to trigger an upturn in the housing market until well into 1991 – even under the most favourable circumstances – full-year forecasts have been trimmed back to about £10m. This leaves the shares on a flattering prospective multiple of 14. Any buyer will do so on the strength of the yield which amounts to 10 per cent, assuming that the full-year dividend is maintained at 20p.

Biting towards the heart of the empire

Maggie Urry on Mr Maxwell's problems over the repayment of MCC's £2.1bn debt

WHEN MR Robert Maxwell decided to transform his business from printing to publishing, he took on a burden of debt in the process. Buying Macmillan, the US publishing group, in 1988 cost $2.6bn. And there were others.

In the late 1980s running up debt might have been fashionable. Now it is distinctly old hat. Mr Maxwell faces the prospect of chipping away at his publishing empire in an effort to pay back the debt he took on to buy it.

The announcement of disposals of non-core businesses, on top of the use of existing resources to cover the first repayment due on Maxwell Communication Corporation's debt, will have to be followed by the sale of stakes in core businesses if future repayments are to be met. And if high gearing is out of fashion, trying to sell businesses these days is not easy either.

The stock market's reaction – MCC shares fell 8p to 142p yesterday – suggests that the elimination of the company's short-term debts does not alleviate longer-term concerns.

A year ago MCC refinanced its debt by arranging a $8bn credit, at interest rates fixed at 10 per cent or less. At the March 31 balance sheet date, net debt was £2.1bn which compared with stated shareholders' funds of £1bn – that is adopting the MCC view of valuing intangible assets at £2.2bn.

In the annual report, Mr Maxwell told shareholders that $990m of the $3bn had to be repaid by October 23. But he was confident that, after already repaying $575m, "we will repay the remaining $415m well before the due date".

In the event it has outwardly seemed to be rather more of a scramble than Mr Maxwell foresaw. Although MCC maintained yesterday that existing funds were available to make the payment, there has been an air of rush about recent stories of deals.

Two of them – the $239m sale to Mr Maxwell's private company, Mirror Group Newspapers, of stakes in a Canadian paper and a printing company – require the approval of the independent shareholders of MCC. This means a document must be prepared and sent out, a meeting called and shareholder approval given, but this will come after the October 23 payment date.

After the current raft of disposals go through, MCC's debt might fall to perhaps £1.5bn or £1.6bn – still an uncomfortably high level of gearing. Two more repayments of the $3bn loan are set – $750m is due on October 23 1992 and $1.2bn on October 23 1994 – short of another refinancing.

While it would be over-cautious to start worrying about these just yet, it would not appear from the group's last accounts that on-going operations can provide sufficient cash to make these payments.

Operating profits, pre-exceptional gains, were shown at £261.2m, while net interest was £108.1m. That level of interest cover might be called adequate rather than comfortable.

But looking more closely at operating profits reveals that £34.8m came from activities which have been discontinued. A further £18.8m came from the sale of publishing titles, and £47.9m was labelled "other operating income".

The contribution in the future from recent acquisitions may offset the absence of some of these items. And, probably, future profits will again contain gains on sales of assets. However, cashflow from on-going mainstream operations alone over the next four years – after capital expenditure – is unlikely to be sufficient to meet the debt repayments.

Further disposals will have to be made. Some cash can be raised from sales of small businesses dotted around the empire, but more significant disposals will have to be made too. As one analyst puts it: "I do not think he has any choice but to bite into the core businesses."

This has been accepted by MCC through the $130m partial float of Berlitz, the language tuition business, and, in March this year, the $210m sale in the US of shares in the form of flexible rate auction preferred stock of Official Airline Guides, acquired for $750m in 1988.

Last year Mr Maxwell said that Macmillan's joint venture with McGraw Hill in educational publishing would be partially floated. Further issues of shares in OAG and in Pergamon Press will be made, "as market conditions allow", says Mr Kevin Maxwell, a joint managing director of MCC. He says that the issues will be of straightforward equity and not of more floating rate auction stock, though again he says "the exact nature is always dictated by the market".

This may reassure MCC's equity shareholders, concerned that more preferred stock might be issued. Proceeds from selling flexible rate auction stock can be used to pay back loans, so gearing levels are cut, and interest cover is improved since payments on the auction stock are taken below the line. But, preferred stockholders rank ahead of ordinary shareholders.

At last month's annual meeting, Mr Maxwell said: "I do not enjoy running a highly leveraged company and want to get back quickly to being equity-rather than debt-led." MCC clearly has some way to go before it reaches Mr Maxwell's desire.

MR ROBERT MAXWELL caused confusion yesterday with a formal statement about the planned disposal of Maxwell Communication Corporation's 22 per cent stake in De La Rue, the bank-note printer, writes Andrew Hill and Raymond Snoddy.

MCC confirmed that under its disposal programme the entire stake would be sold by auction through Smith New Court. MCC's statement appeared to put a price of $61m on the stake, but at yesterday's unchanged closing price of 254p, the holding is worth £77.4m, or nearly $147m.

Mr Jeremy Marshall, De La Rue's chief executive, said it would be much better if the shares ended up with institutions rather than interested parties.

Mr Maxwell suggested last night that his 20 per cent stake in Central Independent Television would probably be sold to a continental media company. It became clear yesterday that Mr Michael Green's Carlton Communications, which owns 20 per cent of the Midlands ITV company, was unlikely to be an immediate candidate.

Mr Maxwell insisted yesterday that his $415m in short-term debt would be paid before the October 23 deadline whatever happened on disposals. MCC has promised a circular to shareholders within 10 days, including a fairness opinion from Bankers Trust on the value received by MCC for the sale of newsprint and printing stakes to Mr Maxwell's private company Mirror Group Newspapers.

The circular will also contain a statement on the adequacy of MCC's working capital.

Robert Maxwell: I do not enjoy running a highly leveraged company and want to get back quickly to being equity-led

Time Products falls 24% but increases dividend

By Andrew Jack

AGGRESSIVE Japanese pricing cut into the Hong Kong sales of Time Products, the watch distributor and manufacturer, knocking pre-tax profits down more than 24 per cent from £6.96m to £5.28m for the six months for July 31.

But the London-based company, which distributes Sekonda and luxury watches, increased the interim dividend to 2.65p (2.5p). "It is a reflection of our confidence in the long term," said Mr Marcus Margulies, group managing director.

The watch movement manufacturing business, which is located in Hong Kong, suffered pre-tax losses of £107,000 compared with profits of £1.83m, on turnover down 23 per cent to £6.95m (£8.97m).

A weak Yen and discounting from Japanese competitors such as Seiko led to "sustained aggressive pricing", said Mr Margulies. "With the Yen strengthening, we are probably through the worst," he added.

UK profits fell to £3.36m (£4.18m) on turnover down slightly to £19.14m (£19.51m). "We suffered from problems in the high street," said Mr Margulies. "Retailers are not aggressively stocking."

The volume of Sekonda watches sold was comparable with the same period last year, but the purchasing trend was towards lower-priced items in the range, the company said.

Group pre-tax profits were boosted by finance income of £2.03m (£1.44m). Net cash stood at between £27m and £30m during the first half.

Mr Margulies said the group was interested in buying other watch or luxury brand businesses, but "we have very strict parameters of how we spend money, and there have still not been opportunities so far".

The company reported slow progress in its Soviet joint venture, but it became the distributor of Certina, a brand of luxury watches, during the period.

Earnings per share dropped to 6.7p (9.22p). The shares closed down 1p at 123p.

● COMMENT

Another set of disappointing results caused full year expectations for Time Products to drop to about £12m. That gives a multiple of about 8 – at a discount to the sector based on pessimistic consumer trends. Time can justifiably claim it will have a better second half, since jewellers order about one third of their stock just before Christmas. But jewellers are buying hand-to-mouth, according to the company, so it is too early to predict the impact of a downturn in spending. The Gulf crisis may have a short-term negative impact on luxury watches, and price cutting is continuing to affect the *Hong Kong business. Since* new luxury goods take time to become established, the Certina brand is as unlikely to boost current full year profits as the Soviet joint venture. But if any of their competitors become more vulnerable, they have the cash and the appetite to scoop them up.

Guinness in Spanish beer talks

By Tom Burns in Madrid

GUINNESS is discussing the joint acquisition of Cruz del Campo, a privately-owned Spanish brewery, with Banesto, the Spanish bank and industrial holding company.

The talks have come in the wake of Banesto's purchase from Guinness of its 50.8 per cent stake in AGE, the leading exporter of Rioja wines.

Banesto, which already owned 13 per cent of AGE, paid Pta1.8bn (£10m) for AGE in an agreement announced on Tuesday.

A decision by Guinness to reinvest its earnings from the AGE sale and to remain in the Spanish drinks sector, switching from wine to beer, would have clear fiscal advantages for the UK drinks group.

Under Spanish tax law a company obtains a roll over on its capital gains liability if it reinvests its domestic earnings in the same sector.

Asked yesterday if Guinness and the Banesto group were negotiating a bid for Cruz del Campo, Mr Arturo Romani, chairman of Corporación Banesto, the bank's industrial arm, confirmed a joint bid had been discussed.

Cruz del Campo has a 22 per cent share of the Spanish beer market, one of the fastest growing and most profitable in Europe, and it is understood to be for sale for Pta 100bn.

The sale is being managed by Goldman Sachs, the US investment bank.

The Spanish company has also attracted interest from the Dutch Heineken group, which owns 51 per cent of El Aguila, the second largest domestic brewery, United Breweries of Denmark – the Carlsberg producer – which owns 61 per cent of Union Cervecera, Spain's sixth largest beer producer as well as Interbrew of Belgium and Fosters of Australia.

● **Philip Rawstorne writes:** The confirmed sale of the 50.8 per cent stake in AGE, acquired in the takeover of Schenley Industries of the US in 1987, completes the disposal of Guinness's wine business as part of its strategy of focusing on its core beer and spirits operations.

Corporación Banesto prospects, Page 32

Abtrust New Thai Investment

In its initial period ending August 31, Abtrust New Thai Investment Trust reported net asset value of 81.16p. Pre-tax revenue was £326,221. Tax took £114,924 and earnings per share came to 1.42p. There is no interim dividend.

Finns Painting Contractors

Finns Painting Contractors Ltd of Pembroke has asked us to point out that it has no connection with the Finns Group of subsidiaries of Caird Group referred to in a story published on September 29.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Ardagh ......fin	3.75¶	Nov 15	3	5	4
Ash & Lacy ......int	2.5	Nov 10	2.5	-	6.4
Bank of Scotland ......int	2☆	Dec 12	1.45	-	4.55
Bank of Wales ......int	1	Nov 16	1	-	2.8
Cowan de Groot ......fin	nil	-	1.25	1.25	2.5
Cussins Property ......int	3.75	Nov 30	3.75	-	9.25
N&C ......int	3.6†	Dec 17	3.3	-	8.3
Higgs & Hill ......int	6	Dec 4	4.4	-	20
Maunders (John) ......fin	2.85	Nov 26	2.65	4.95	4.75
Photo-Me Intl ......fin	2.8	Dec 7	2.4	4	3
Time Products ......int	2.65	Jan 4	2.5	-	7
Triplevest ......int	11.18	-	9.9	-	20.875

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ¶Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bridgend, Clinton Cards, Copymore, Elys, Finlay (James), Hewden Stuart, Ingham (George), Jacob (W&R), Lep, Martin (Albert), Smurfit (Jefferson), Tilbury, Trans World Communications, Venturi Inv Trust.

Finals- Canadian Overseas Packaging Industries, Druck, Galliford, Kelt Energy, Manchester London Inv Trust, Murray Ventures, Property Trust, TSW-Television South West.

FUTURE DATES

Interims-	
Dawson Intl	Nov 29
Lawrence (Walter)	Oct 10
RKF	Oct 5
Seafield	Oct 9
Finals-	
British Empire Securities	Nov 9
Cradley	Oct 18
FKI	Nov 15
Lowtex	Oct 5
Pochins	Oct 8
Yorkshire Television	Dec 18

PUBLIC NOTICES

Corporation of London - Consultation on Spending Plans

The Corporation of London, as the local authority for the City, is required, under the Local Government Finance Act, 1988, to consult representatives of non-domestic ratepayers in the City about its spending proposals in the forthcoming year.

The Corporation currently consults with the following representative organisations about its spending plans:-

Association of British Insurers
Baltic Exchange
British Bankers Association
The British Federation of commodity Association
British Fur Trade Association
City of London Retail Trader's Association
The City of London Solicitors Company
Corporation of Lloyds of London
London Chamber of Commerce and Industry
The London Society of Chartered Accountants
Royal Institute of Charted Surveyors
The Stock Exchange

The Corporation is proposing to extend the process of consultation to other groups or representatives of non-domestic ratepayers.

The existing forum may be used or a new one may need to be established. The existence of a forum does not preclude separate consultation with individual representative bodies or with major individual ratepayers. Whilst the Corporation will take the initiative to make individual contacts where it considers such to be necessary or appropriate, the onus rests with groups or individuals not within the forum to make an approach to the Corporation on any matter of concern.

Any group representative of non-domestic ratepayers in the City of London that is not listed above and that wishes to be considered for incorporation on the list is hereby invited to write to the Town Clerk for more information at the following address:-

Ref: PJN
Corporation of London,
P.O. Box 270,
GUILDHALL
London EC2P 2EJ

COMPANY NOTICES

SARAKREEK PARTICIPATIONS N.V.
ESTABLISHED IN CURACAO
NETHERLANDS ANTILLES

NOTICE of the Annual General Meeting of Shareholders to be held on October 23, 1990.

Notice is hereby given that the Annual General Meeting of Shareholders of SARAKREEK PARTICIPATIONS N.V. shall be held on October 23, 1990 at 3.00 o'clock p.m. local time at the offices of the company at the International Trade Center, Piscadera Bay, Curacao (N.A.) to approve the annual accounts of the company for the financial year ended on May 31, 1990, the cash dividend for the aforementioned financial year and to discharge the Management in conformity with the company's articles of incorporation.

The official agenda of the meeting may be inspected by all shareholders at the offices of the company and is available upon request.

Amro Trust Corporation N.V.
Managing Director

Dated: October 1, 1990

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COMPANY NOTICES

I.I.I. INTERNATIONAL INSURANCE INVESTORS N.V.
NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
to be held on October 31, 1990

To the Shareholders of I.I.I. International Insurance Investors N.V.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of I.I.I. International Insurance Investors N.V. (the "Company") will be held at De Ruyterkade 62, Willemstad, Curacao, Netherlands Antilles, on October 31, 1990 at 11.00 a.m. Netherlands Antilles time for considering the following Agenda:

1) Consideration of a Motion to place the Company into voluntary liquidation as of October 31, 1990.

2) Consideration of a Motion to accept the resignation from the Managing Board of Messrs Ian C. Menzies, John K. Ambler, Julian E. Ashby and Curacao Corporation Company N.V. as of October 31, 1990, and to discharge the aforesaid Managing Directors for their administration and management of the Company up to October 31, 1990;

3) Consideration of a Motion to appoint Messrs Ian C. Menzies and Julian E. Ashby as Liquidators of the Company;

4) Consideration of a Motion to satisfy all creditors of the Company and to pay the balance of the assets to the Shareholders on a pro rata basis in accordance with the laws of the Netherlands Antilles;

5) Consideration of a Motion to instruct Curacao Corporation Company N.V. to keep and maintain the records held at the registered address of the Company in the Netherlands Antilles for a period of thirty (30) years commencing from October 31, 1990 and to instruct Mr Julian E. Ashby to keep and maintain all other records of the Company in their complete form for a period to one (1) year; and

6) Transaction of such other business as may properly come before the Meeting.

Holders of bearer shares, in order to exercise their rights at the Meeting, must establish their ownership of such shares in a manner satisfactory to the Chairman of the Meeting. Nevertheless, they may establish such ownership by depositing such shares (or a Certificate of Deposit of such shares satisfactory to the Managing Board) at the offices of J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS, England, against written receipt, not later than five days prior to the date of the Meeting and by producing this receipt at the Meeting. Shareholders may be represented at the Meeting by written proxy empowered in a letter.

By Order of the Managing Board

Julian E. Ashby
Managing Director

October 1, 1990.

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LEGAL NOTICES

To : ANN RYAN

whose last known address was, in 1988, 88 Norlington Road, Leytonstone, London. E11 and prior thereto 81 Whalebone Grove, Chadwell Heath, Romford, Essex and prior thereto 16 Kildowan Road, Goodmayes, Essex.

TAKE NOTICE that an action has been commenced against you in the High Court of Justice, Chancery Division 1990 S No.874 by MICHELE TONIA SHANNON of 81 Whalebone Grove, Chadwell Heath, Romford, Essex in which the Plaintiff, who is the widow, administratrix and beneficiary of the estate of ROBERT SHANNON deceased, claims a declaration that you hold the property at 81 Whalebone Grove, Chadwell Heath, Romford, Essex in trust for the Plaintiff and an Order that you do execute an instrument of transfer of the said property into the name of the Plaintiff.

AND THAT it has been ordered that service on you of the Writ of Summons in the said action be effected by this advertisement.

If you desire to defend the said action you must within 14 days from the publication of this advertisement inclusive of the day of such publication acknowledge service of the said Writ of Summons at the Romford District Registry of the High Court of Justice, 2a Oaklands Avenue, Romford, Essex, RM1 4DP.

In default of such acknowledgement such Order will be made as the Court may think just.

This announcement appears as a matter of record only

THE UB GROUP

JENSON & NICHOLSON LTD.

An associate of The UB Group of companies has acquired the Building Chemicals Division of CH Industrials PLC comprising:

* Cementone-Beaver Limited
* Windeck Paints Limited

The undermentioned acted as financial advisers to Jenson & Nicholson Limited

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28 September 1990

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CORRECTION

Avi creates the transparent paint pot for the French market.

"Sensations", AVI's new line of products is a one-coat satin acrylic paint. One could hardly expect less from the inventor of the one-coat paint.

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However, there is one surprise which will completely fail to (unpleasantly) surprise the consumer. "Sensations" will be sold in transparent pots. This is the best way to show you colour right from the start.

Take note all of you who see red when you discover the very vague similarity between the actual content of the pot and what you imagined it would be like. Indeed by giving the new "Sensations" this rare and unique jewel case, AVI is placing this new line of products among the gems of technology.

A.M.

AVI : Tour Aurore. Paris. La Défense II.
Tel : 47 78 58 56

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UK COMPANY NEWS

Chemicals side boost for Harrisons & Crosfield

By Jane Fuller

HARRISONS & Crosfield, the conglomerate which has diversified away from plantations and into chemicals, building supplies and food, increased pre-tax profit by just over 2 per cent, from £56.2m to £57.5m, in the first half of the year.

Turnover fell by 7 per cent to £878m (£944m) following the sale of the general trading division, although this helped increase the profit from disposals to £4.3m (£2.4m).

More than 40 per cent of the £69.7m (£67.1m) group operating profit came from the chemicals division. Mr George Paul, chief executive, said the 5 per cent advance to £28.4m (£27.1m) reflected strong growth in organic chemicals but a decline on the inorganic side. The division had been strengthened by the May purchase of Pfizer, a US iron oxide pigment company.

The organic wing, supplying ingredients for PVC and other polymers, had benefited from the merger of UK and Dutch activities, under the name Harcros Chemicals, and from investment in the Eccles factory. The inorganic business had concentrated on cost reduction.

Timber and building supplies increased operating profit to £17m (£13m). However, £3m of this came from Moores, the Virginia-based company bought for £54m in August 1989, and £2.1m from Crossley, the UK business which cost £113m in May and added 112 branches to the existing 128-strong Harcros network.

Mr Paul said the like-for-like fall of 8 per cent reflected a downturn of demand in the south of England, which was now reaching the north. Scotland remained strong.

Food and agriculture's contribution of £14.9m (£12.5m) was complicated by a disposal last year and this year's influx of £3m from Baker pet foods. Leaving these aside, growth was limited to 3 per cent. The residual plantations business in Indonesia fell to £5.1m (£9.7m), partly hit by a fall in palm oil and rubber prices.

Interest charges rose to £12.2m (£10.9m). Net debt, including £75m in convertible bonds, fell to £187m, bringing down gearing from 45 per cent to 34 per cent over six months.

In spite of a reduced tax charge, earnings per share were static at 6.8p. This was affected by paper issues, notably a 1-for-5 rights issue in May linked to the Crossley buy.

The interim dividend goes up to 3.6p (3.3p) and the directors reiterated their intention to increase the final payment to 5.4p (5p).

See Lex

Bank of Wales slides to £0.6m

By Anthony Moreton, Welsh Correspondent

PROBLEMS IN a hire-purchase subsidiary led to a disappointing first half for the Bank of Wales.

The Bank, 75 per cent owned by the Bank of Scotland, saw pre-tax profit for the six months to August 31 drop from £879,000 to £617,000.

The figures masked an even sharper drop. The profit was buoyed by an exceptional credit of £450,000 arising out of the chasing of bad debts. The 1989 figures contained a provision for £407,000 as the cost of the Bank moving to new headquarters in the centre of Cardiff.

Viscount Tonypandy, chairman, said: "the current financial year will be difficult".

Mr Eric Crawford, chief executive, admitted the rate of growth was less than the bank desired. "Our advances only increased by 7 per cent over last year as business activity slowed and that is not as fast as we would have liked. You have only got to get one figure wrong and you are set back," he said.

Bad debts at Forthright Finance, a hire-purchase subsidiary which is largely involved in motor finance, have arisen as a result of a rapid expansion at a time when money is dear. The Bank has put aside £250,000 to cover these debts.

Funding Forthright has been costly but Mr Crawford saw an end to its problems, "provided bad debts do not accumulate", and reported that the Bank, with the backing of the Bank of Scotland, was looking to buy HP companies as the price was now right.

It took over a hire-purchase company last November with a portfolio of £10m and is talking to others of the same size.

Viscount Tonypandy sees "potential for a much improved performance", but as the recession begins to bite in Wales Mr Crawford admitted yesterday that the future was "uncertain".

Viscount Tonypandy: the current year will be difficult

The interim dividend is maintained at 1p, payable from earnings per share of 0.18p (1.11p).

Receivers called in at Planning Research

By Andrew Jack

PLANNING RESEARCH and Services, the USM-quoted information services group wracked by boardroom conflict, has called in administrative receivers.

BDO Binder Hamlyn was appointed receiver by National Westminster, the company's principal banker, late yesterday afternoon, said Mr Adrian Bannington, finance director.

Shares in PRS were suspended on Monday at 30p.

In August the company, warned of losses for the year to March 31. And Mr John Martin, chairman and managing director and major shareholder, resigned following disagreements over the management of the company.

He had since been trying to win reinstatement, and had called an EGM for October 12.

According to Gilbert Eliott, the group's advisers, PRS has debts and outstanding guarantees with NatWest totalling £3.8m. The bank rejected a refinancing plan from the company on Tuesday.

Pre-tax profits for the year to March 31 1989 were £519,500, but PRS made losses of £171,800 for the six months to September 1989. Full year results have not been released.

In a letter to shareholders on September 19, the board said that an "unacceptably high overhead base and an imprudent capital expenditure programme have led to a material rise in bank borrowings and a severe deterioration in its financial stability."

Kleinwort Gilt Fund nav slips to £12.09

At September 30, the net asset value of Kleinwort Benson Gilt Fund stood at £12.09, against £12.88 12 months earlier.

For the half-year pre-tax profit came to £2.53m, against £3.03m in the same 1989 period. The interim dividend is 34.52p (34.54p).

Cowan rationalises as profits dive

By Richard Gourlay

COWAN DE Groot, the toys and industrial hardware group, is selling The Russian Shop, the loss-making wholesaler with an exclusive retail outlet on the Strand, as part of an extensive rationalisation.

The move follows the arrival in March of the new chairman, Mr Michael Buckley, after Wilton Group raised its stake in the group to 29.3 per cent.

In the year ended April 30 1990 Cowan de Groot made a pre-tax profit of £163,000, down from £1.1m the previous year – before exceptional credits £1.19m – on lower turnover of £32.13m (£32.54m). After tax there was a loss per share of 8.5p (earnings 5.7p) and there is no final dividend; therefore, the interim of 1.25p compared with a 2.5p total last time.

There were also extraordinary charges of £1.9m resulting from legal provisions, costs associated with the rationalisation and the sale of The Russian Shop. The largest item was £700,000 against possible loss of a legal case brought by Eagle Trust in connection with property sales.

Eagle Trust claims that three properties sold to Cowan de Groot in May 1989 were not transacted at a proper arms length price. Eagle Trust was then under the chairmanship of Mr John Ferriday who is now facing multiple charges of theft and false accounting.

Cowan de Groot sold two of the properties in October 1989 for a profit of £700,000 after paying £600,000 five months earlier. Mr Buckley said the group will fight the case.

Losses were incurred at Harper Lee, a hardware and electrical wholesaler, from the moment the group bought it in January this year for £1.1m. The hardware activities were being reorganised within the group's existing activities.

The group has downgraded the value of assets leading to a £1.1m charge to the revaluation reserve, following the substantial revaluation of warehouses in the toy group the previous year. Mr Buckley said the properties were left empty at a time when property values were falling.

Mr Buckley said the reorganisation meant the group had taken proper account of the true value of assets and moved into a position to go forward.

Metro on winning wave band

By Raymond Snoddy

METRO RADIO, the Newcastle-based commercial radio group, looks an apparent victor in its bitter takeover battle for Yorkshire Radio Network.

When the £16m offer for YRN closed Metro reported acceptances of just under 85 per cent and declared the offer unconditional.

Mr Neil Robinson, managing director of Metro, said: "It's a fantastic step towards formal victory."

To complete the deal, Metro needs a 75 per cent majority of those voting at a YRN extraordinary general meeting on October 19 to change the company's articles of association.

At present the articles prohibit shareholdings of more than 10 per cent.

If the deal, which has the approval of the Independent Broadcasting Authority, goes ahead, it will create what Metro believes will be the largest commercial radio company outside London.

The five stations of the enlarged group comprising Metro's current Tyne and Wear and Cleveland areas plus YRN's Sheffield, Bradford and Hull, will together cover 6m adults – about 12.5 per cent of the UK population.

Metro, backed by Capital Radio, Chrysalis and TV-am, offered one Metro share and 15p cash for each YRN share. There was also a full cash alternative of 170p.

Last week YRN advised shareholders to accept the cash offer.

Mr Michael Mallett, YRN chairman, said the cash offer price was unlikely to be reflected in the share price for some time if the company remained independent.

Photo-Me Intl virtually static at £16.9m

Photo-Me International, the world's biggest operator of photo booths, returned profits of £16.88m pre-tax for the 12 months to April 30 1990, a near standstill on last time's restated £16.37m.

The company's shares closed 15p higher yesterday at 273p.

Turnover was unchanged at £94m (£94.47m) although there was an adjustment of some £9m following the sale of a manufacturing subsidiary. Depreciation rose to £7.16m (£5.69m).

Earnings emerged at 15.54p (14.74p) and a final dividend of 2.8p raises the total by 1p to 4p per 2.5p share.

There was an extraordinary credit this time of £122,000 (nil).

Directors said the core business performed well worldwide and added that price increases in key operations around the world would more than cover inflation in individual operating countries.

Panfida runs up £9.58m deficit

Panfida Group, the Australian-controlled property and retail group, ran up a pre-tax loss of £9.58m for the year to end-June, against profits of £153,000 for the nine months to June 30 1989.

Income from associates fell to £1.27m (£4.07m) and there was a nil (£246,000) contribution from investment income. Interest charges rose to £23.35m (£14.96m). Loss per share worked through at 11p (6p).

Panfida has sold its TOC Retail stores business in the US and disposed of some of its Australian interests recently to concentrate on its Martins newsagency business.

In April News International raised its stake in Panfida to 31 per cent.

Kembrey acquires Louis Newmark arm for £4.7m

By Clare Pearson

KEMBREY, which now has interests in electrical harnesses, precision components and refractory materials, is following up a recent spate of disposals with the purchase of McMurdo, a division of Louis Newmark, the electrical group, for £4.7m cash.

The company, which emerged when Kembrey reversed into USM-quoted Coated Electrodes last December, also aims to move up to the main market and exchange its electrical sector classification for an industrial one.

Portsmouth-based McMurdo, which makes electrical connectors, marine safety lights and wiring harnesses, reported pre-tax profits of £1.03m on turnover of £9.98m in the year to end-March.

Under the sale agreement, net assets will be £5.15m on completion.

McMurdo's profits are likely to be lower for the 1991 year due to difficulties in its reserve battery business, but these will be somewhat offset by contributions for its recently-acquired connector and wiring businesses.

Kembrey's moves follow a number of disposals, notably its sale to British Coal in August of a Sheffield graphite coating site, which left it virtually ungeared.

Kembrey said McMurdo should broaden its customer base and add an established marketing operation to the group.

Triplevest net asset value falls to £15.98

Triplevest reported net asset value of £15.98 at August 30, against £17.93 at the end of the year to February 28 and £20.06 at the end of the previous first half.

Pre-tax revenue in the six months to end-August rose from £3.21m to £3.62m, including franked investment income of £3.19m (£2.89m). The interim dividend is 11.18p (9.9p).

The investment trust's articles provide for voluntary winding up next February.

BUSINESS LAW

Cracking down on hackers

By Clive Davies

SINCE August 29 1990, computer hacking has been a criminal offence in the UK.

The Computer Misuse Act 1990 brings the UK into line with Australia and a number of US states and follows reports by the Scottish and English Law Commissions.

Computer users and suppliers have long been concerned that hackers could gain unauthorised access to computer systems. At the very least, a hacker might undermine the commercial value of information stored on a system; at worst the act of hacking could be the basis for fraud or theft or could cause damage to the computer itself.

The new legislation should help to maintain confidence in London as a leading centre for finance and international trade.

Neither English common law nor statute provided sufficient protection against hacking. This was demonstrated by the failure of the prosecution of two individuals who gained access to the British Telecom Prestel computer network in 1984 and 1985.

They were initially convicted of contravening the Forgery and Counterfeiting Act 1981 but the Court of Appeal quashed the conviction. The Court held that although forgery could include electronic methods of creating false information, the electronic impulses keyed in by the hackers were not a "false instrument".

The House of Lords confirmed this and ruled that a device which recorded or stored information by electronic means could not be an "instrument" under the 1981 Act unless it preserved the information for an appreciable time. The momentary holding of customer identification numbers and passwords did not amount to an "instrument". These decisions indicated that the law needed reform to make hacking a specific offence.

The fundamental difficulty English lawyers had with hacking was the lack of any law of privacy in the UK. If you walk into an open office, read a file, but do not copy it, and then leave without creating any damage, you have committed no wrong except perhaps trespass which is not a criminal offence. Why should it be a criminal act when you "walk" into a computer instead of an office?

The new Act is designed to protect the integrity of computer systems and not to create any new right in confidential information. The debate, both in and outside Parliament, reflected diverse attitudes. Some argued that everyone should be free to hack into computer systems to test the security measures preventing access, which should be built in by computer suppliers.

Others pressed for legislation which was sufficiently wide to include electronic eavesdropping. This involves "listening" from a remote location to the radiation given off by a computer display terminal and recreating the messages displayed on the screen. This is no different conceptually from looking through a window from the building opposite with a pair of binoculars.

The Computer Misuse Act 1990 largely follows the recommendations put forward by the English Law Commission by treating relatively lightly those who only access the computer without authority, more seriously those who do so with a dishonest intent to commit a further crime and most severely those who, in the process, intentionally modify the computer.

Unauthorised access to computer material occurs if a person causes a computer to perform any function with intent to secure access to a program or data held in any computer, the access is unauthorised and he or she knows that it is unauthorised. The offence is punishable by a term of imprisonment of up to six months or a fine of £2,000 or both.

The aggravated offence is punishable on indictment by imprisonment for a term not exceeding five years, or an unlimited fine, or both.

A person is guilty of unauthorised modification of computer material if he or she does any act causing an unauthorised modification of the contents of the computer, and at the time of the act intends to modify the contents of the computer without authority and so impair its operation or prevent or hinder access to any program or datum held in the computer. This offence is also punishable on indictment by a prison term not exceeding five years, or an unlimited fine, or both.

"Computer" is not defined in the Act on the basis that most definitions would be liable to become out of date very rapidly as technology develops. Some US state laws refer to "computers or computer systems", and there is an argument that hacking into a computer network (as opposed to a single computer) might not be caught. The courts will probably take a reasonably broad approach to the definition of a computer and will include within this a computer network.

"Program" and "data" are not defined in the Act except to say that they include items held in any removable storage medium (such as diskettes).

Modification of a computer's contents takes place if, by the operation of any function of the computer concerned, a program or datum is altered or erased or added to. This is aimed at the placing of "viruses" or "logic bombs" or "Trojan horses" in a computer: that is, something done to a program (which may well not be readily identifiable by the user) but which causes sometimes irreparable damage not only to the program itself but possibly also to the operating system of the computer on which it is running.

Under the Criminal Damage Act 1971, damage to parts of computer systems might not be considered criminal damage to "property of a tangible nature".

One clear concern with hacking is the territorial scope of the offence. A person using a personal computer and today's extensive international communications systems can hack into a an English computer from Germany or into a US computer from England.

The Act in effect extends jurisdiction for hacking offences to permit prosecutions even when part of the offence was committed abroad, provided there is a significant UK link, which for the basic offence means the accused or the computer was in the UK at the time.

One surprising, and possibly unintended, consequence of the Act is that on a strict interpretation of the wording it may unnecessarily criminalise certain breaches of software licenses.

When a software house licenses a software program to a supplier, it will usually prepare a list of restrictions on the operation of the software. For example, there may be a stipulation to limit its use to designated computers and/or at designated locations.

If the licensee then uses that program on a computer which is not covered by the licence, the licensee would be causing a computer to perform a function with intent to secure access to the program, such access would be unauthorised and the licensee would know that such access was unauthorised.

These appear to be the circumstances necessary to constitute an offence under the Act. Arguably "unauthorised access" should relate to access to the computer, as opposed to the program, although the Act clearly refers to "access to a program or data".

Software suppliers may thus see the Act as providing further protection for their intellectual property rights in addition to that provided already by copyright and the terms of their licence agreements. They may regard this as justified in view of their considerable investment in developing software and the computer industry's general acceptance of the need for a high level of protection for software.

Another interesting consequence of the Act is that if a person walks uninvited, but without breaking any laws, into an office and uses a computer which is sitting on the desk without any physical lock or security code protecting its programs, this constitutes a criminal offence.

It would have been possible to draft legislation which required the computer to have some barrier to access which had to be breached in order for an offence to be committed. This concept has, for example, been used in the New York law relating to hacking, but was not followed in the Act.

The only really contentious issue raised during the passage of the Bill through Parliament was whether the police would have sufficient powers to gather the evidence they needed to prosecute offences under the Act.

However, the Act probably does provide sufficiently clear-cut offences for prosecutions to be carried out successfully. Certainly in the US, hackers have been successfully prosecuted and fined or sent to prison.

The author is a solicitor with City lawyers DJ Freeman & Co.

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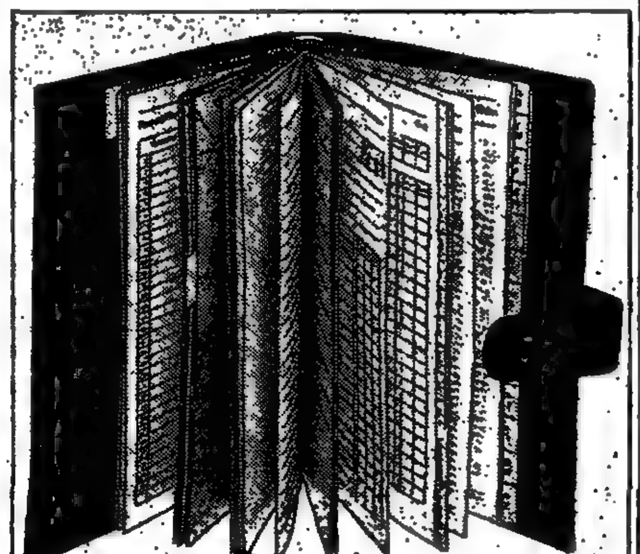

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COMMODITIES AND AGRICULTURE

Hope fading for Soviet vegetable crops

By Quentin Peel in Moscow

EMERGENCY MEASURES to save the potato and vegetable harvests in most of the European part of the Soviet Union are being introduced by local authorities, but many agricultural experts fear they may already be too late.

Almost non-stop rain since the latter part of August has meant that the fields in European Russia, Belorussia and northern Ukraine are waterlogged, and farm machinery cannot operate. Now tens of thousands of soldiers, students and urban workers are being drafted into the fields in an attempt to collect the vegetables by hand.

Supplies to the major cities, like Moscow, Leningrad and Sverdlovsk, in the Urals, are running far below normal levels. By the end of September in Moscow, less than 150,000 tonnes of potatoes had been delivered to city stores, compared with more than 410,000 tonnes at the same time last year.

Deliveries of other vegetables, including carrots, cabbages, and beetroot, are running at less than 400,000 tonnes in the capital, 150,000 tonnes down on 1989.

At the same time, the Soviet and Russian governments have introduced sudden wholesale price increases for meat, in an urgent effort to boost supplies to state stores and shops. The measures seem unlikely to have any early effect, however, because state farms have already cut their livestock production in response to a virtual doubling of grain prices.

Agricultural officials in Russia and Belorussia say that only a dramatic change in the weather can save the potato crop, although individuals admit it may already be too late. The potatoes currently being harvested are so wet that they may be impossible to keep for more than a few weeks in storage.

Mr Fedor Synko, the prime minister of Belorussia, told the official news agency Tass this week that a combination of bad weather, transport problems, and the continuing fall-out from the Chernobyl nuclear disaster had drastically reduced potato supplies.

"Only 58 per cent of the potatoes have been harvested, in spite of the efforts of 125,000 students and school children who are now working in the fields," he said.

In Sverdlovsk the city council has ordered all non-essential industrial enterprises to close and send their workers to the fields, in a desperate effort to save both grain and vegetables.

In Moscow and Leningrad, both city councils have urged all their citizens to offer their help in the fields over the coming holiday weekend, which is the country's Constitution Day.

Marshal Dmitri Yazov, the Soviet Defence Minister, has said that 23,000 soldiers are helping with the harvest around Moscow alone, prompting a rash of rumours about an impending military coup.

Collective farms in the Moscow region have already lost a significant proportion of their grain because of the bad weather, expecting now only to save a maximum of 10 to 20 per cent which can be gathered once the ground freezes.

The failure of collection means that animal feed is likely to be in short supply as well, aggravating the meat problem which is already acute throughout the country. The government's belated measure to raise wholesale meat prices – six months after a massive grain price rise – has been bitterly criticised as running counter to the entire economic reform programme now being finalised by President Mikhail Gorbachev.

Instead of allowing a move towards genuine market prices, it imposes new centrally-administered prices, and because the government is keeping retail prices frozen, it will add another big burden to the government's already chronic budget deficit.

The only organisation to escape the retail price freeze has been the McDonalds fast food restaurant in central Moscow, where the price of Big Macs was doubled on October 1 to Rbs6.95, or almost $12 at the official exchange rate. As a joint venture with a foreign investor, the restaurant is not bound by state prices.

Mermaz faces tough task soothing farmers' fears

France's new minister must cope with the stresses of social transformation, writes Ian Davidson

IN STRICTLY hierarchical terms, Mr Henri Nallet can be said to have been promoted in this week's surprise reshuffle of the French government: the Justice Ministry, which he is taking over, is even more prestigious and at least as challenging politically as the Agriculture Ministry which he has just left.

But he is moving on at a moment of crisis in French agriculture, marked by repeated farmers' demonstrations and a general atmosphere of conflict between the farmers and the government, which has got significantly worse under his tenure. The Prime Minister's office insists that Mr Nallet is not being blamed for the conflict, but it seems clear that the restoration of good relations with the farmers required a new man in charge of the Agriculture Ministry.

The new minister is Mr Louis Mermaz, former leader of the Socialist group in the National Assembly and a heavyweight in the party. Whether he or any new man can quickly resolve the farmers' complaints seems doubtful. In any case, the prime minister's office says that the government has no financial room for pretending to resolve the problems by any substantial increase in farming subsidies.

The litany of the farmers's complaints includes a number of real short-term problems, starting with this year's steep decline in the prices of beef and sheepmeat, as well as the equally real difficulties caused by over two years of severe drought.

But it is widely admitted inside the farming sector that this year's wave of angry demonstrations is related at least as much to the deep anxieties of a rural industry that is facing increasingly severe stresses of structural and social transformation, as to the short-term pressures of falling prices.

Henri Nallet: Moving on at a moment of crisis

The farmers protest against the import of cheap meat from Britain or from eastern Europe, and complain about the burden of their indebtedness; but their real anxiety is that they may have no future.

These fears vary enormously between different sectors, of course. The most recent assessment by the National Statistical Institute says that 1989 was a good year for farmers, with average gross incomes rising by over 8 per cent in real terms. But whereas incomes in high-quality wine-growing rose by 50 per cent and in pig-rearing by 40 per cent, in market gardening it fell by 15 per cent, and in beef it fell slightly.

If high-quality wine is excluded, the French farming sector is now facing three sorts of structural pressure: the first is demographic, the second is European, and the third is international.

The decline in the farming population, which in Britain took place 150 years ago, has been taking place in France ever since World War II, and it is still going on.

A quarter of the population was on the land 35 years ago; today the proportion is under 8 per cent. The average age of farmers is well over 50, and 30 per cent are over 60; a large proportion of those who take retirement will have no successors, and by the end of the century the number of farmers is likely to have dropped by half, to 500,000, or even 400,000.

These facts are well known, but their political meaning is the slow death of a certain type of rural society, and above all of a certain image of rural France.

No doubt that sort of rural France could not expect to survive for ever, but it remains an important part of the imagery of an older generation, and it is being given renewed life with the release of the film versions of Marcel Pagnol's famous rural idyll, *La Gloire de Mon Père*.

The demographic decline is partly attributable to the reform of the European Community's Common Agricultural Policy. In the 1960s the CAP's high prices provided enormous incentives for production, productivity and prosperity. Since the early 1980s, however, the costs of over-production have been too great and farmers have been subject to quotas and restrictions. They now fear that the market supports and import protection provided by the community will be traded away in the Uruguay Round of the Gatt negotiations.

As a national money-earner, farming is an increasingly valuable French industry, with a foreign trade surplus last year of FFr50bn (£5bn), which virtually offset the deficit on manufactured goods. But as a sector of French society, it is going through a painful restructuring, which the new agriculture minister will not be able to alleviate in traditional agricultural terms.

"We must stop weeping over the number of farmers", says a top official. "We must show great consideration for people who feel wounded; but we must try to define new solutions for jobs in the rural environment." It is easier said than done, and it is not the answer the farmers want to hear.

Planning for greener forestry

John Madeley on proposals for reforming the "loggers' charter"

THE CONTROVERSIAL Tropical Forestry Action Plan is to be changed, largely along the lines suggested recently by an independent three-member review team that included the former Swedish Prime Minister, Mr Ola Ullsten. This said that although the plan "has run into trouble," it should be "continued but transformed."

The plan, launched in 1985, aims to stop the destruction of tropical forests, conserve and develop them for sustainable use and increase the flow of "forest" aid. It lays down guidelines for tropical forest countries to draw up their own national forestry plans. But the plan has been slow to operate and non-governmental organisations (NGOs) have accused it of being a logger's charter and of giving little attention to the needs of forest dwellers. The 7-nation Houston summit called earlier this year for a "reformed and strengthened TFAP."

At a meeting last week in Rome of the United Nations Food and Agriculture Organisation's Committee on Forestry there was broad support for the plan from both industrial and developing countries, although they insisted that changes were needed along the lines suggested by the independent review. The FAO's forestry department, which co-ordinates the plan has accepted most of the review's ideas.

The review recommended that the TFAP give more emphasis to environmental protection and be renamed The Tropical Forestry Action Programme, with the aim of "conservation and sustainable development of forestry sources in the interests of the countries concerned and the global community."

It suggested that new guidelines be drawn up that set standards for the sustainable development of forests and "make a special effort to canvass the views of interested NGOs. It also urged changes in procedures to enable the programme to act more quickly.

There was considerable criticism of the slowness of the TFAP to respond to requests from developing countries for assistance. Interest in the plan from countries with tropical forests has been greater than was expected and FAO's forestry department admitted to the meeting that "implementation of exercises for more than 75 tropical countries has posed difficulties."

Only about 6 countries have national forestry plans launched under the TFAP actually under way. Some countries, notably Colombia and Cameroon, have finalised plans but are having difficulty in obtaining funds, partly, it seems, because of criticisms that their plans give too much prominence to logging.

THE EUROPEAN Commission is to spend Ecu24m on protecting the tropical rainforest of Central Africa, the biggest sum ever allocated by the Commission for an environmental project outside the Community, writes Lucy Kellaway in Brussels. The money is to be used in seven countries in protected areas, helping them in serveillance and management of the forest, while allowing the local population to continue to exploit it in a way that is compatible with strengthening its ecosystems. The aim is to establish a regional network of protected areas to serve as sites for testing new projects.

The forest is the second-largest in the world, after the Amazon basin, and is also the nearest to Europe. The grant is part of the new policy under the Lomé Convention (a trade and aid pact between the EC and African, Caribbean and Pacific countries) which puts new stress on protecting the environment in Third World countries.

A small unit within FAO that co-ordinates the forestry plan is now to be strengthened, but there was a north-south divide over whether a new fund should be set up, as recommended in the review, to assist countries with their plans. While the south was almost unanimously in favour, delegates from the north were strongly against. Without support from donor countries, the fund is unlikely to get off the ground.

A recommendation of the review team that an international forest convention be set up, also sparked divisions. Delegates from developing countries were much less enthusiastic about the idea than those from industrialised countries.

The convention, as envisaged, would cover all forests, both tropical and temperate, and lay down standards, possibly including a "code of conduct" for their conservation and use. "Forests are essential to the well-being of the entire world," said the review team.

But there is a suspicion among developing countries that a code of conduct would enable richer nations to tell them how to manage their forests. A Brazilian delegate told the meeting that such a code would be "wholly inappropriate."

Mr N.M. Prasad of India said that a forest convention should not be considered in isolation and that although there were links between forest destruction, emissions of greenhouse gases and climatic change the problem of the damage done by emissions "must be tackled at the source." Developing countries, he said, contributed very little to greenhouse gas emissions.

The idea of a forest convention is likely to be linked to a UN environmental programme proposal for a convention on climatic change and could be agreed together at a major conference on the environment and development planned for Brazil in 1992.

Most industrialised countries supported the idea of a forest convention although the Japanese delegate described discussions as "premature."

Mr George Leonard of the US Department of Agriculture Forest Service said that negotiations on a forest convention should not be allowed to hold back improvements to the Tropical Forest plan. He said that the TFAP had "called attention to the problems of massive deforestation" although it had so far failed to meet expectations.

"Reform of the TFAP is the only practicable option," Mr David Turner of Britain's Overseas Development Administration told the meeting: "If we did not have the TFAP we would have to develop a mechanism very much like it."

US assesses Uruguay Round implications

By Nancy Dunne in Washington

THE US International Trade Commission has made official what few commodity producers doubted: that the US proposals in the Uruguay Round to phase out agricultural quotas and subsidies will hurt many farmers and benefit many industries and consumers.

Without sugar quotas in the past two years, the US would have imported some 40 per cent more sugar; prices would have been from 25 to 31 per cent lower; and consumers would have saved about $392m.

The US has implemented a new tariff system to replace quotas but imports are not expected to rise.

US quotas on dairy products limit imports to about 2 per cent of annual production. The government also supports the purchase of milk and dairy products, bringing the cost to consumer to about $651m in 1988 and $550m in 1989.

Eliminating quotas and price supports for American peanuts would have saved consumers $500m in the past two years. However, the ITC warned, the government could not remove the quota and maintain income supports because it would then end up suppporting world prices of peanuts through American programmes.

The US has both quotas and tariffs on beef imports. The quotas are so high that they are rarely filled. Tariffs, however, maintain the low level of imports. Without duties, the US would have imported 11.7 per cent of boneless cow beef in 1988, and prices would have fallen 4.3 per cent.

The effects of removing cotton quotas would be quite small, the ITC said.

Washington subsidises flour to Yemen

By Nancy Dunne

YEMEN'S PRO-Iraqi sympathies apparently have done little to hurt it in the eyes of the US Department of Agriculture. Under pressure from farm interests push new offers of farm subsidies, the USDA has announced a number of "initiatives," including an offer of 125,000 tonnes of subsidised white flour to Yemen.

Wheat flour offers are made to buyers in Yemen through regular commercial channels. Exporters than get a "bonus" from USDA's stocks to enable it "to compete at commercial prices in the Yemeni market."

Other recent Export Enhancement Program announcements include: 500,000 tonnes of wheat to Colombia, bringing its current EEP allocation to 515,000 tonnes; 75,000 tonnes of barley malt to the Philippines; and 500,000 tonnes of flour to the Soviet Union.

Meanwhile, the USDA reported that American farm exports to the EC dropped 18 per cent in the last fiscal year as sales of oilseeds, tobacco, cotton and livestock fell. Although the US still ran an agriculture trade surplus of $2.38bn with the EC, the value of the trade was 42 per cent below the 1980 peak.

● The Soviet Union has bought its first foreign wheat flour for a decade, reports Reuters from Moscow. But the grain buying agency Exportkhleb, said the amount was nowhere near the 650,000 to 1.2m tonnes forecast by Paris grain traders.

WORLD COMMODITIES PRICES

MARKET REPORT

Robusta coffee futures closed ahead in London as the market continued to stage a technical correction to recent losses. Dealers said the market had become oversold during the recent fall, which had been partly inspired by increased sales of Brazilian coffee in the physical market. Physical activity now, however, appears to have largely dried up. Prices should now hold in a tight range with a close above £620 a tonne for January needed for charts to flag a rise. By midday New York arabica coffee futures were ahead, but the market was failing to generate the buying interest needed to push through upside resistance. On the BFE, freight futures were sharply up on continued technical buying on the back of a change of sentiment in the physical market. In Chicago pork bellies were up the 2 cent limit for February and March at midday. Last week's sharp reduction of bellies in warehouses, plus strong cash prices this week propelled futures sharply higher to limit up at the opening. Total CME warehouse supplies fell to 2.897m lbs last week, versus 26.274m lbs a year ago. "That is the smallest amount of bellies in storage in history," said one analyst.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$31.05-1.15y	-.675
Brent Blend (dated)	$36.05-6.20	-.175
Brent Blend (November)	$35.05-5.15	-0.10
W.T.I. (1 pm est)	$36.42-6.49y	+.685
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$407-412	-5
Gas Oil	$322-323	+2½
Heavy Fuel Oil	$134-137	+½
Naphtha	$374-378	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$390.50	-8.00
Silver (per troy oz)♣	470c	-1
Platinum (per troy oz)	$443.1	+0.6
Palladium (per troy oz)	$99.20	-0.05
Aluminium (free market)	$1975	+10
Copper (US Producer)	132c	
Lead (US Producer)	45c	
Nickel (free market)	443c	+18
Tin (Kuala Lumpur market)	16.41r	-0.17
Tin (New York)	290c	-3
Zinc (US Prime Western)	73c	
Cattle (live weight)†	98.69p	-1.60*
Sheep (dead weight)†	121.98p	-9.06*
Pigs (live weight)†	74.37p	-4.03*
London daily sugar (raw)	$264.4v	-0.6
London daily sugar (white)	$309v	
Tate and Lyle export price	£249	-1
Barley (English feed)	£117y	
Maize (US No. 3 yellow)	£155.0	+0.5
Wheat (US Dark Northern)	£90	
Rubber (Nov)♥	52.25p	-0.25
Rubber (Dec)♥	52.50p	-0.25
Rubber (KL RSS No 1 Nov)	238.5m	-1.0
Coconut oil (Philippines)§	$272.5v	-2.5
Palm Oil (Malaysian)§	$282.0	-5.5
Copra (Philippines)§	$197.5t	
Soyabeans (US)	£144	
Cotton "A" index	80.75c	+0.45
Wooltops (64s Super)	436p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Dec	231.00	236.00	241.00	231.00
Mar	220.40	226.40	227.40	219.20
May	222.00	227.60	228.00	220.60
Aug	223.60	228.20	230.00	228.00
Oct	222.80	228.20	228.00	228.00
Dec	222.00	228.20	225.00	
White	Close	Previous	High/Low	
Dec	298.0	303.2	303.6	297.5
Mar	297.0	301.5	302.0	298.0
May	297.0	301.5	302.4	297.0
Aug	304.5	309.0	310.0	309.0

Turnover: Raw2206 (1368) lots of 50 tonnes. White 5118 (334)
Paris- White (FFr per tonne): Dec 1535 Mar 1537, May 1555, Aug 1600, Oct 1580

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Nov	35.62	33.83	36.70	34.25
Dec	34.96	32.77	35.20	33.10
Jan	34.10	31.75	34.10	31.95
Feb	33.00	30.85	31.20	
Mar	32.25	30.25	30.35	30.30
Apr	31.25	29.50	29.58	
IPE Index	35.63	37.67		

Turnover: 16528 (4866)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Oct	318.00	314.50	317.00	308.00
Nov	307.75	307.25	308.00	300.00
Dec	300.50	302.50	301.00	294.00
Jan	289.50	292.00	291.50	285.00
Feb	272.25	275.75	276.00	268.00
Mar	255.00	261.00	262.00	255.00
Apr	247.00	249.00	250.00	245.00
May	245.00	247.50	245.00	

Turnover 14343 (19424)lots of 100 tonnes

WOOL
The Business Plan asked for by Australia's agricultural minister, has been submitted to him. Rumours abound as to its contents. Another rise in the wool tax on growers seems probable, from 18pc to 25pc. There is some talk of slaughtering up to 20pc of Australia's sheep, 35 million out of the total. Auctions continue meanwhile with up to 80pc bought in by the Wool Corporation at reserve price. The surplus applies throughout the world at lower prices. With major wool buying areas in the Soviet Union and Eastern Europe, as well as the Far East, out of action for an indefinite period the crisis looks set to continue.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	727	725	730	714
Mar	766	762	769	761
May	789	786	789	775
Jul	806	805	807	800
Sep	826	827	829	821
Dec	854	853	850	847
Mar	877	877	880	872

Turnover: 4312 (5436) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 2 956.17 (965.79) 10 day average for Oct 3 974.00 (977.49)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Nov	597	581	601	584
Jan	613	601	617	602
Mar	612	602	613	602
May	628	616	628	619
Jul	640	628	640	634
Sep	655	644	650	648

Turnover: 4254 (3052) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 2: Comp. daily 74.04 (73.37). 15 day average 74.57 (74.73)

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Nov	86.0	88.0	87.5	86.0
Apr	145.3	143.9	145.5	143.5
May	161.0	159.7	160.0	

Turnover 223 (96) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Dec	113.50	112.00	

Turnover 0 (10) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
Oct	1220	1205	1225	1208
Nov	1270	1230	1270	1245
Jan	1259	1235	1259	1235
Apr	1245		1245	1235
Jul	1050		1100	
BFI	1163	1165		

Turnover 398 (340)

GRAINS – BFE			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	114.40	114.20	114.30	114.20
Jan	118.60	118.35	118.65	118.50
Mar	122.25	121.90	122.30	122.25
May	125.60	125.50	125.60	125.60
Barley	Close	Previous	High/Low	
Nov	112.45	112.25	112.50	112.30
Jan	116.70	116.40	116.70	116.50
Mar	119.60	119.50		
May	120.95		120.65	

Turnover: Wheat 186 (213), Barley 108 (117).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Oct	101.0	102.5	101.0
Nov	101.5	102.5	101.0
Jan	93.0	95.0	93.0

Turnover 25 (5) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 19,513 lots	
Cash	1987-90	1990-5	2010/1975	1973-7		
3 months	1835-40	1855-6	1849/1820	1826-8	1849-50	72,822 lots
Copper, Grade A (£ per tonne)					Total daily turnover 23,461 lots	
Cash	1484-6	1502-4	1490/1482	1484-5		
3 months	1432-3	1443-4	1440/1417	1422-4	1439-40	112,183 lots
Lead (£ per tonne)					Total daily turnover 2,784 lots	
Cash	412-4	408-11	400.5/400	400-0.5		
3 months	415-6	416-8	417/408.5	408-9	410-2	11,027 lots
Nickel ($ per tonne)					Total daily turnover 20,916 lots	
Cash	9650-700	9350-450	9650/9550	9550-75		
3 months	9250-75	9000-50	9325/8900	9100-25	9300-50	8,874 lots
Tin ($ per tonne)					Total daily turnover 2,238 lots	
Cash	6170-80	6280-300	6170/6170	6210-30		
3 months	6230-40	6320-30	6260/6190	6250-70	6260-60	8,759 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,730 lots	
Cash	1365-70	1375-80	1355/1352	1350-2		
3 months	1355-7	1384-8	1362/1343	1343-5	1362-5	18,934 lots

LME Closing £/$ rate:
SPOT: 1.9005 | 3 months: 1.8892 | 6 months: 1.[illegible] | 9 months: 1.[illegible]

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	390¼-390¾	205¾-206¼
Opening	389¾-389¾	205¾-206¼
Morning fix	389.85	206.180
Afternoon fix	389.40	206.328
Day's high	390½-391	
Day's low	388-388½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	400-405	211-214
Britannia	400-405	211-214
US Eagle	400-405	211-214
Angel	400-405	211-214
Krugerrand	389½-391½	205-207
New Sov.	91½-93½	48¼-49¼
Old Sov.	91½-93½	48¼-49¼
Noble Plat	448.40-455.65	236.75-240.50
Silver fix	**p/fine oz**	**US cts equiv**
Spot	247.75	469.15
3 months	257.10	476.85
6 months	265.80	487.90
12 months	282.85	507.15

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1750	227	140	14	54
1850	151	87	37	99
1950	91	51	76	160
Copper (Grade A)	Calls		Puts	
2600	190	152	19	88
2700	118	104	46	138
2800	66	68	92	198
Coffee	Nov	Jan	Nov	Jan
550	49	71	2	9
600	14	39	17	27
650	2	19	55	57
Cocoa	Dec	Mar	Dec	Mar
700	50	99	23	34
750	28	71	49	56
800	13	51	86	86
Brent Crude	Nov	Dec	Nov	Dec
3600		255		
3650				
3700		198		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	393.9	389.1	394.0	388.5
Nov	396.1	391.5	0	0
Dec	398.5	393.9	399.0	392.5
Feb	428.0	398.0	402.8	397.2
Apr	406.5	401.9	408.1	400.7
Jun	410.6	406.1	410.9	410.9
Aug	414.4	409.9	0	0
Oct	418.8	414.3	0	0
Dec	423.2	418.7	421.5	421.5

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	439.6	443.6	441.5	438.5
Jan	444.9	449.4	446.4	442.5
Apr	450.9	455.4	452.0	448.5
Jul	456.3	460.9	457.7	457.7
Oct	461.8	466.4	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	469.0	467.9	468.0	468.0
Nov	471.4	470.6	0	0
Dec	475.3	474.5	478.5	472.0
Jan	477.8	476.8	477.0	477.0
Mar	485.6	484.8	486.5	482.5
May	492.4	491.8	493.0	491.0
Jul	499.4	498.6	500.0	497.5
Sep	506.8	506.1	505.0	505.0
Dec	517.1	516.4	518.5	514.9
Jan	520.3	519.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	130.00	126.55	130.00	126.00
Nov	125.00	122.10	125.00	125.00
Dec	121.00	118.95	122.00	117.40
Jan	118.30	116.05	118.30	117.00
Mar	113.60	111.80	114.40	111.00
Apr	112.35	110.60	0	0
May	111.00	109.30	111.80	108.80
Jun	109.70	108.05	0	0
Jul	108.40	106.80	107.90	106.80
Aug	107.00	105.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Nov	37.32	33.95	37.45	34.30
Dec	36.17	35.81	38.25	33.81
Jan	34.82	34.25	35.00	32.25
Feb	33.64	32.90	33.70	31.15
Mar	32.56	31.66	33.00	30.00
Apr	31.56	30.60	31.15	29.00
May	30.62	29.45	29.80	28.30
Jun	29.77	28.50	28.73	27.50
Jul	29.02	27.70	27.80	26.58
Aug	28.39	27.05	27.50	25.90

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Nov	9941	9203	9950	9410
Dec	9877	9949	9977	9490
Jan	9906	9753	9930	9350
Feb	9455	9253	9500	8950
Mar	9008	8773	9100	8500
Apr	8558	8308	8300	8260
May	8236	7968	8050	8000
Jun	8058	7743	7845	7825
Jul	7968	7643	7625	7620

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1245	1260	1266	1233
Mar	1295	1311	1314	1284
May	1322	1340	1328	1316
Jul	1352	1369	0	0
Sep	1387	1400	1378	1375
Dec	1428	1437	1419	1419
Mar	1460	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	94.10	93.50	94.45	93.70
Mar	97.40	96.75	97.70	97.00
May	99.75	99.00	99.80	99.05
Jul	101.25	101.10	101.75	101.50
Sep	102.80	102.70	103.50	103.00
Dec	105.75	105.00	0	0
Mar	107.25	107.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	9.82	10.10	10.12	9.76
May	9.85	10.13	10.13	9.82
Jul	9.85	10.11	10.14	9.82
Oct	9.88	10.15	10.16	9.84
Mar	9.90	10.20	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	71.25	72.70	72.75	71.25
Dec	72.03	72.35	72.85	72.00
Mar	72.73	73.15	73.50	72.70
May	73.35	73.73	73.80	73.35
Jul	73.40	73.82	74.00	73.40
Oct	69.15	69.20	69.35	69.25
Dec	67.77	67.88	67.80	67.75

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	138.80	141.85	142.00	138.20
Jan	138.55	137.40	138.50	136.00
Mar	137.05	137.80	139.40	136.70
May	137.00	137.40	139.50	137.00
Jul	137.00	137.40	137.50	137.00

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 3	Oct 2	mnth ago	yr ago
1767.2	1765.9	1808.7	1868.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 2	Oct 1	mnth ago	yr ago
Spot	126.64	127.16	129.97	130.76
Futures	130.50	129.80	133.18	131.48

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	620/0	606/2	625/4	609/2
Jan	634/4	621/0	640/0	624/0
Mar	647/2	634/2	653/0	637/4
May	656/2	644/2	662/2	647/4
Jul	664/6	652/2	670/2	655/4
Aug	657/4	647/0	663/0	656/0
Sep	631/0	626/0	0	0
Nov	620/2	616/2	624/6	617/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	22.40	22.62	22.77	22.32
Dec	22.86	22.79	23.07	22.65
Jan	23.09	23.08	23.34	22.95
Mar	23.48	23.49	23.78	23.43
May	23.79	23.79	24.05	23.75
Jul	23.95	23.90	24.15	23.90
Aug	23.95	23.90	24.10	23.95
Sep	23.82	23.77	24.09	23.80

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	183.5	175.5	184.5	176.6
Dec	188.4	180.8	189.5	182.0
Jan	189.7	182.7	190.8	184.0
Mar	191.4	185.4	192.5	186.0
May	192.2	186.7	193.0	188.0
Jul	192.0	187.5	193.0	189.0
Aug	190.5	187.2	191.7	187.5
Sep	186.0	184.3	189.5	186.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	229/0	225/2	232/0	226/2
Mar	238/4	234/6	241/0	235/6
May	244/0	240/4	246/4	241/4
Jul	247/6	244/2	250/2	246/0
Sep	245/4	243/2	247/0	245/2
Dec	248/0	245/4	249/2	246/0
Mar	254/0	251/4	255/2	253/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	274/2	272/2	277/0	273/0
Mar	288/2	286/2	291/0	286/4
May	295/4	293/4	298/4	294/0
Jul	300/4	298/4	303/2	300/4
Sep	305/0	303/4	307/4	305/0
Dec	315/4	312/4	316/0	315/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	79.92	79.85	80.22	79.65
Dec	76.85	77.00	77.45	76.62
Feb	75.35	75.05	75.62	74.97
Apr	76.02	75.72	76.35	75.82
Jun	73.45	73.15	73.75	73.10
Aug	71.80	71.60	72.15	71.65
Oct	71.86	71.75	72.25	71.80

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	56.80	56.20	57.07	56.90
Dec	55.67	54.67	55.95	54.35
Feb	52.77	52.22	53.05	51.92
Apr	49.15	48.57	49.25	48.35
Jun	52.35	51.67	52.80	51.50
Jul	52.60	52.20	52.86	51.95
Aug	50.75	50.40	50.80	50.00
Oct	46.10	46.10	46.10	46.05

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	64.20	62.20	64.20	63.70
Mar	64.07	62.07	64.07	63.57
May	64.67	62.67	64.67	63.40
Jul	64.45	62.52	64.52	63.20
Aug	62.50	60.50	62.50	62.00

LONDON STOCK EXCHANGE

Trading squeeze takes shares higher

A FURTHER but somewhat unconvincing advance by share prices in London yesterday owed more to a lack of liquidity in the UK stock market than to much genuine investment optimism. Cautious buying from institutions contributed to the day's gain of 28 points in the FT-SE Index but trading volume was unexciting.

There was a flurry of interest in late dealings when Wall Street reversed an early fall and new tales of impending British entry to the European Exchange Rate Mechanism did the rounds of the City of London. However, the final reading of 2,087.0 on the FT-SE Index, a net gain of 28.5, bewildered some equity traders who had wrestled all day with a market very short of stock after Tuesday's unexpected advance.

Account Dealing Dates		
*First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 9.30 am two business days earlier.

With neither Tokyo nor New York offering any real lead overnight, London opened lower to test the Footsie 2,050 mark. Strategists at a number of leading UK securities houses drew attention to the Dow's failure overnight to extend its response to this week's news of plans to curb the Federal deficit. Some equity chart specialists, meanwhile, are warning of a possible October peak for equities both in New York and London.

The first few hours of London trading were agonisingly slow, but a carefully concealed trading programme by a leading US house, together with a better futures market, began to take equities ahead. After gaining 25 points, however, the market slipped back as Wall Street made a slow start to the new session, slipping briefly into negative territory.

By the end of the day the Footsie December futures contract had climbed to a premium against estimated fair value which allows for dividend flows and financing costs. The Footsie itself closed at the best of the day but showed itself vulnerable to Wall Street's trend.

Seaq trading volume slipped from Tuesday's 430.2m shares to a mere 368.5m yesterday. Among market leaders, BAT Industries and ICI gained ground, but in terms of trading volume could not reach 1m shares. Most market making houses are still short of stock and share prices were marked up smartly yesterday whenever a buyer appeared. Bargain-hunting in construction shares saw RMC move up sharply on turnover of under 900,000 shares, while in retail stocks, GUS, always a difficult share to trade, advanced on volume of a mere 328,000.

Against this lacklustre backcloth, few market specialists were prepared to identify specific trends. With crude oil prices less buoyant, the major oil stocks moved more cautiously, gaining ground only as Wall Street recovered confidence to show a gain of 9 Dow points as London closed for the day.

FINANCIAL TIMES STOCK INDICES

	Oct 3	Oct 2	Oct 1	Sept 28	Sept 27	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.45	78.47	78.25	78.09	77.98	84.18	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.49	86.49	86.41	86.88	86.87	95.09	92.91 (8/1)	83.00 (30/4)	125.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1619.0	1594.7	1573.0	1535.7	1548.1	1890.2	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	184.3	184.8	189.9	200.7	198.1	203.4	378.5 (6/2)	167.9 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2087.0	2058.5	2030.8	1990.2	2009.1	2312.1	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)

	Oct 3	Oct 2	Oct 1	Sept 28	Sept 27	Year Ago
Ord. Div. Yield	5.87	5.97	6.07	6.21	6.15	4.32
Earning Yld %(full)	12.31	12.51	12.71	13.02	12.89	10.38
P/E Ratio(Net)(☆)	9.85	9.68	9.53	9.31	9.40	11.63
SEAQ Bargns 4.45pm	17,845	20,456	18,393	17,564	18,129	25,109
Equity Turnover(£m)†	-	725.72	581.10	734.68	765.52	955.73
Equity Bargains†	-	19,355	17,167	16,427	17,298	25,479
Shares Traded (ml)†	-	334.8	284.1	331.0	376.7	410.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928 Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 0.70

Ordinary Share Index, Hourly changes Day's High 1619.1 Day's Low 1583.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1589.2	1591.0	1593.3	1599.5	1601.4	1607.1	1610.6	1608.1	1614.6

FT-SE, Hourly changes Day's High 2087.2 Day's Low 2050.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2050.4	2050.5	2054.2	2062.5	2068.8	2074.4	2078.0	2074.8	2080.8

GILT EDGED ACTIVITY

Indices*	Oct 2	Oct 1
Gilt Edged Bargains	93.7	101.7
5-Day average	94.9	93.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm

Property doubts hit Burton

The gloom in the property market continued to depress Burton, the fashion retailer. The shares fell 10 per cent on concern that it will not be able to sell its property interests without recording a substantial loss. Burton was off 9 at 61p at one stage and eventually settled at 62½p, down from its 1990 high in January of 226p.

Analysts said Burton had received offers since it put its property interests up for sale, but at prices which would lead to significant losses on its property portfolio. Also weakening its shares were worries about its current retail trading performance and talk of a stock overhang.

A historical yield of 18 per cent and hopes that the recent sale of its financial services interests will allow it to maintain its final dividend failed to attract investors. "Burton doesn't seem to have a friend in the world at the moment," one analyst said.

Maxwell concerns

The city was not satisfied by an announcement from Mr Robert Maxwell, the publisher, that he had reached agreement on three disposals as part of a move to cut debts of £1.9bn, and Maxwell Communication lost 8 to 142p on a heavy turnover of 5.4m.

Analysts at BZW said the intended disposals, which totalled £410m, were "a series of juggling acts between MCC and Robert Maxwell's private vehicle to raise sufficient funds to meet the group's short term obligations of £415m."

Cautious note

Harrisons & Crosfield struck a note of caution about trading prospects and the shares moved against the trend of the wider market. The diversified plantations to building supplies group also delivered slightly disappointing interim profits which caused analysts to lower full-year expectations.

Ms Julia Pennington of BZW moved down quite sharply to £128m from £147m. She said Harrisons' business environment would remain difficult, being largely tied to the UK economy. The yield should provide support, she added, but at 9.1 per cent it is no longer in a league of its own. BZW remains a seller of the stock.

Several other analysts also opted for profits of around £128m, providing there are no bad experiences for Crossley Building Merchants, acquired last May. Trading volume swelled to almost 2m shares yesterday as the price dipped to 130p before closing 2 down on the session at 134p.

On face value the brewery sector appeared to take the honours yesterday. It presented a picture of strength with several stocks recording double-figure gains. But traders said the low volumes told a different story. One said the sector was very squeezy and the sharp price advances stemmed more from professional covering of short book positions than actual client business.

Most leading issues were affected. Guinness rose 29 to 718p, aided by institutional buying aroused by another positive note from Mr John Wakely of Shearson Lehman Brothers. Grand Metropolitan advanced 12 to 564p and Allied-Lyons rose 15to 452p. Only Greenall Whitley of the regional brewers was influenced. BZW initiated the upswing in the shares – finally 13 higher at 316p – saying that the stock was offering reasonable value.

Analysts said confidence in Glaxo was growing because the company was recession-proof and moving towards the launch of anti-migraine, anti-asthma and anti-emetic drugs. The shares gained 10 to close at 796p on turnover of 2.6m.

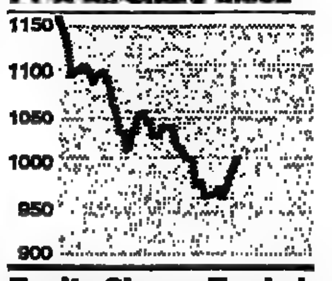
A recommendation for caution from James Capel and growing focus on a potential Aids treatment drug developed by IAF BioChem, a Canadian company, for Glaxo were seen as the background to a knock for Wellcome which closed 5 down at 458p.

Mr Ian White of Kleinwort Benson said the IAF drug was approaching the stage of clinical trials and as a direct competitor to Retrovir, one of Wellcome's mainstays, it posed a serious threat to Wellcome's share price.

The two biggest UK high street banks rose strongly in heavy turnover amid a worsening stock shortage and further stories of UK entry into the EC's exchange rate mechanism. Barclays, on 4.6m shares, rose 14 to 346p and NatWest, where 4.2m shares changed hands, advanced 13 to 262p.

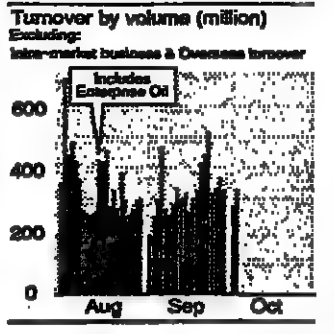
Bank of Scotland's interim results were within the range of analysts' estimates; pre-tax profits came out at £105.5m, against £96.9m. There was general satisfaction with the dividend increase, up from 1.45p to 2p. At the close Bank of Scotland shares, newly elected to the FT-SE 100-share index, were 3 higher at 110p after good turnover of 4.5m shares.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



One sector specialist said there was a danger that a lot the good news from Bank of Scotland was already in the price. "There is a risk that some optimists will be disappointed at the full-year stage; the figures owe much to volume growth and there could well be a pay-back, in terms of bad debts, further down the line," he said. Analysts' estimates of full-year profits at the Scottish bank were generally left in place and ranged from around £205m to £225m.

The latest purchase of Standard Chartered shares by Mr Khoo Teck Puat helped Standard shares maintain their recent recovery trend and close 10 higher at 295p. One of the "white knights" that prevented Lloyds from taking over Standard in 1986 by his acquisition of a substantial stake, Mr Khoo bought on Monday a further 900,000 shares, increasing his holding to 6.04 per cent. Standard has suffered in the past couple of weeks from worries about the bank's association with Polly Peck and fears about increasing bad debts.

The best performance in merchant banks came from SG Warburg which advanced 18 to 321p as an acute stock shortage developed; UBS Phillips & Drew shifted its stance on Warburg from sell to hold.

There were useful gains throughout life stocks, notably in Legal & General which added 10 at 384p, and also in composites, which featured prominently in a mid-session trading programme. Guardian Royal, on turnover of 1.5m, rose 7 to 188p. Recent Morgan Stanley recommendations continued to boost insurance brokers Sedgwick, up 8 more at 193p, and Willis Faber, 3¼ ahead at 217¼p.

Building stocks recovered from a weaker start, but the lack of any fresh features and the depressed nature of the sector kept most institutional investors on the sidelines.

Nevertheless, RMC continued to benefit from hopes of increased sales of building materials in eastern Germany, and added 22 to 567p. Ibstock Johnsen lost 4 in early trading, before coming back to finish unchanged from Tuesday at 90p. Tuesday's announcement of a fall in interim profits and poor press comment accounted for the initial downturn, but the price recovered, helped by a hold recommendation from County NatWest.

Higgs and Hill recorded an interim pre-tax profit of £3.57m, down from £10.09m previously, although the dividend was increased to 6p per share from 4.4p. While gearing remained below 30 per cent, the company stressed that high interest rates would delay prospects of an early recovery. The price finished 11 lower at 268p.

Tarmac also moved against the trend, losing 4 to 216p as 5.6m shares changed hands, although there was no obvious reason for the increased turnover. Dealers noted that the company launched $300m of auction market preference shares (Amps) in the US, designed in part to fund the repurchase of $147m of cumulative preference shares from Lone Star Industries. The issue gives Tarmac a windfall profit of $41m – after repaying other dollar-denominated debt – which will feature as an extraordinary profit in the second half of the company's financial year.

A call on shareholders for fresh funds of £49.5m, needed to finance a US acquisition, unsettled shares of MTM. They dropped 27 to a low for the year of 144p. The company has agreed to acquire Hardwicke Chemical of Elgin, South Carolina, for around £59m, the balance being met from MTM's own facilities.

Institutional investors showed a keen appetite for Bowater and the shares rose 10 to 435p. ECC was another stock favoured and rebounded 15 further to 334p in spite of sell advice from Nomura Research. The UK-based Japanese house said there were grounds for some short-term caution.

Confirmation that Maxwell Communication intended to sell its 22 per cent stake in De La Rue, the UK specialist printer, made little impression on the shares. Awaiting further news of the proposed auction of the 30m shares by Smith New Court, the stock remained at 254p.

The tidings from Cowan de Groot, the troubled toy importer, were certainly not funny. The final dividend was passed and the company achieved only a small profit. After taxation the result was a loss per share of 3.5p, compared with last year's profit of 5.7p. Cowan's shares weakened further to close at 7p, down 1½.

Gestetner benefited noticeably from Schroder Securities' prediction that the stock was poised for a sustained recovery and closed 8 up at 193p. Marginally higher annual profits and a positive view of prospects raised Photo-Me 15 to 273p.

Telfos Holdings continued to slide following Tuesday's cautious statement, closing 4 down at 121p.

Tiphook, the container leasing company, moved up 20 to 342p on increased turnover in a thin market following a presentation to County NatwWest, recently appointed as broker to the company. Mr Dan White of County said Tiphook had underperformed heavily in past few weeks but the company was confident that it had hedged against recession.

Eurotunnel gained 25 to 425p, its biggest jump for some time, as confidence over the refinancing package and the progress of the Channel tunnel grew. There was good business in Paris, where much of the stock is traded.

Sears eased a penny to 78p in busy trading. UBS Phillips & Drew was said to have crossed 3.5m shares, which contributed to the day's 12m turnover.

Sainsbury gained 2 to 305p as S. G. Warburg recommended the stock. But Tesco added 4 to 229p after Hoare Govett said it had recently lagged too far behind Sainsbury.

Northern Foods gained 10 to 346p after an analysts' visit, while Kwik Save rose 16 to 450p on talk that Dairy Farm had added to its 25 per cent stake.

The city was unimpressed with news that Saatchi & Saatchi was acquiring Dyson Communications, an international public relations company based in Switzerland, and the shares improved only ½ to 37p.

A good two-way business developed in Slough Estates, and 3m shares changed hands. The price finished just one penny lower at 224p. Cussins Property Group recorded a half-year loss of £1.6m compared with a £2.1m profit previously, but an unchanged dividend of 3.75p helped the price finish 3 higher at 113p.

Water stocks were unsettled and underperformed the wider market ahead of an investment seminar at Smith New Court, held during the afternoon and addressed by Mr Ian Byatt, director-general of Ofwat, the water industry watchdog.

There had been suggestions in the market that Ofwat was preparing to send out clawback notices for the year 1991-2, which would reduce water company profits, but this was categorically denied at the seminar by Mr Byatt, according to Mr Steve Doe, Smith New Court's water analyst. The worst performers included Northumbrian, off 4 at 235p, and North West, 3 off at 229p.

Oil shares struggled to keep up with the rest of the market, being held back by the latest decline in crude oil prices. A positive review of the sector by the Laing & Cruikshank oil team, emphasising buy stances on BP, Shell, Royal Dutch, Enterprise, Lasmo and Ultramar, helped those stocks register modest gains. Burmah was another 12 higher at 499p.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (6).
BRITISH FUNDS (4) BREWERS (1) OVERSEAS TRADERS (1).
NEW LOWS (137).
CANADIANS (5) BANKS (1) BREWERS (8) BUILDINGS (9) CHEMICALS (8) STORES (8) ELECTRICALS (11) ENGINEERING (5) FOODS (1) HOTELS (2) INDUSTRIALS (28) Aberfoyle, Anglo United, BSS, Boxmore Intl., British Polythene 7½pc Pf., Charter Cons., Cowan de Groot, Dauphin, Davies (D.Y.), Doctus, Dyson (J & J), Elders IXL, Elsco, Elkem, Elswick, Kleen-E-Ze, Lionheart, Pacific Dunlop, Page (Michael), Security Archives, Sinclair (Wm), Sketchley, Whitecroft, LEISURE (8) MOTORS (1) NEWSPAPERS (2) PAPERS (5) PROPERTY (8) TEXTILES (3) TRANSPORT (1) TRUSTS (16) OVERSEAS TRADERS (2) MINES (14) THIRD MARKET (2).

APPOINTMENTS

Tootal Group moves

■ TOOTAL GROUP has appointed to the main board Mr Aaron Lo, chief executive of Tootal China, and of International Yarn Sourcing, and a director of Tootal Ltd. Five of the chief executives of strategic business units have been appointed to the management board of Tootal Ltd: Mr Greg Cheskin, Tootal Consumer Thread, US; Mr Roel Lubbinge, Tootal Specialised Materials, Netherlands; Mr Tom Smith, North American Industrial Thread Business, US; Mr David Williams, Tootal Branded Clothing; and Mr David Witt, Tootal Contract Clothing.

■ Mr John Hambly, chief executive of Thames Television's programme-producing subsidiaries, Cosgrove Hall Productions and Euston Films, has become an associate director of the main board of THAMES TELEVISION.

■ THE MARLEY ROOF TILE CO has appointed Mr Gary Perkins as director of distribution.

■ ML HOLDINGS has appointed Mr Derek Crook as managing director of new subsidiary ML Distribution; Mr Paul Bowler as managing director of Townsend Coates; and Mr Gordon Stolliday as director and general manager of Radiatron Components.

■ AEROSPACE ENGINEERING has appointed Mr Donald Parvin as a non-executive director. He was group chief executive at Matthew Hall.

■ HEYWOOD WILLIAMS has appointed Mr C. Russell Smith as a non-executive director. He is non-executive chairman of Allied Textile Companies.

■ MODERN ALARMS has appointed Mr Stuart Roberts as sales director. He was general manager, carbonless paper division, Wiggins Teape Paper.

■ KAY & CO (ENGINEERS), part of the Portals Technology Group, has appointed Mr Clifford Turner as sales director. He was national sales manager.

■ CAPITAL PARKING has appointed Mr Nicholas Jolmers as managing director. He retains his post as group finance director. Mr Martin Cartwright, who was operations director, has become director of the new design and consultancy division.

■ LANCASHIRE AND LONDON INVESTMENT TRUST has appointed Mr Somerset Gibbs as a director. From 1986 to 1989 he was chief executive of Smith New Court Agency, and is a non-executive director of a number of companies.

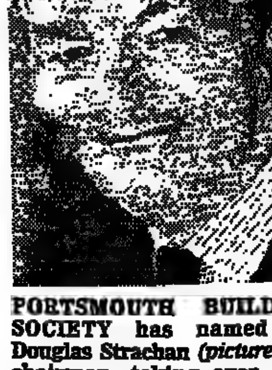
■ COSTAIN ENGINEERING has appointed Mr Tim Noble as managing director and Mr Tim Howard as commercial director. Mr Noble was operations director, Balfour Beatty Projects and Engineering; and Mr Howard was commercial controller for Gulf Cobla, Dubai.

■ Mr Keith Reading has been appointed chief executive of ASEE EXHIBITIONS, parent company of Electrex. He was chief executive of BFM Exhibitions.

■ DICTAPHONE CO, a Pitney Bowes company, has appointed Mr John Gibson as general manager communications recording systems - Europe, Middle East and Africa. He was with Smiths Industries.

■ Sir Derek Oulton has been appointed president of THE ELECTRICITY ARBITRATION ASSOCIATION. Until last year he was permanent secretary of the Lord Chancellor's department.

■ JOHN GOVETT & CO has appointed as directors: Ms Rosemary Morgan, Japanese fund management; Mr Steve Wood, The Hungarian Investment Co; Mr Hugh Dick, European fund management; and Mr Nigel Savage, UK fund management, who joins from N.M. Rothschild Asset Management. Mr R.D.C. Brooke has been appointed a director of GOVETT ATLANTIC INVESTMENT TRUST. He is a director of J.O. Hambro & Co.



PORTSMOUTH BUILDING SOCIETY has named Mr Douglas Strachan *(pictured)* as chairman, taking over from Mr Jack Longland, who will remain on the board. He is a former main board director of Allied Lyons.

■ STEEL BURRILL JONES GROUP has appointed its chief executive Mr George Boden as a vice chairman.

■ MEMOREX TELEX (UK), Wokingham, has appointed Mr Ernest Cochrane as business director of network systems, and Mr Gordon Stevenson as business director of storage systems.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990 High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS—Contd

Index-Linked

1990 High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

INT. BANK AND O'SEAS

[illegible]						

CORPORATION LOANS

[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]						

LOANS

Building Societies

[illegible]						

Public Board and Ind.

[illegible]						

FOREIGN BONDS & RAILS

[illegible]						

AMERICANS

[illegible]							

AMERICANS—Contd

[illegible]							

CANADIANS

[illegible]							

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13½	£9½	ABN Amro F15	£9½	......	Q28%	2.1	8.9	5.3
303	176	ANZ SA1	176	–9	44c	1.4	10.7	6.6
229	172	Abbey National 10p	204	+3	5.7	4.3	3.7	8.3
*274	133	Allied Irish Ord	145	+5	Q40%	3.3	6.2	6.6
85	47	Anglo Irish	48	+1	‡Q18.7%	2.7	8.7	6.9
93	61	Ansbacher (H.) 1p	61	......	2.5	1.9	5.5	17.6
£71½	£32½	Bancaire Cie Fr100	£37¼	–⅛	Q12¼%	–	3.5	–
£22½	£13½	Banco Bilbao Viz	£14	......	Q49.1%	2.7	5.7	9.6
286	136	Bank Ireland Ir£1	144	+2	Q14.7%	2.9	9.1	5.1
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
351	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
125	100	Bank Scotland	110	+3	†4.55	3.4	5.6	6.9
100¼	83¼	Do. 9¼pc Irrd Pf	95½	–½	9¼%	–	12.9	–
54	39	Bank of Wales	42	......	2.8	0.8	9.1	(19.7)
428	290	Barclays £1	346	+14	‡19.57	3.5	7.5	4.8
22	11	Benchmark 20p	11	......	0.75	♦	9.1	♦
335	240	Brown Shipley £1	240	......	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	287	......	N24.5	–	11.4	–
179	49	Chancery	50	......	9.0	2.7	24.0	2.0
£23¼	£15¼	Commerzbk DM10	£16	+⅛	Q18%	–	3.9	–
£13½	620	Dai Ichi KBk Y50	668	–2	Q17%	6.2	0.5	33.9
£313½	£194½	Deutsche Bk DM50	£212½	+⅛	Q28%	–	2.2	–
£20¾	£14½	Espirito Santo	£15¼	+¼	Q75c	5.1	2.6	7.4
253	166	First Nat. Fin. 10p	171	+1	13.0	2.1	10.1	5.9
121	82	FNFC 6.3pc Cv. Pf	83	......	6.3%	–	10.1	–
£13½	633	Fuji Bank Y50	641	......	Q17%	♦	0.5	♦
325	262	Gerrard & National	265	+1	19.0	–	9.6	–
154	100	Guinness Mahon 10p	100	......	2.1	–	2.8	–
328	194	Hambros 20p	201	......	11.5	–	7.6	–
128	88	Do. 7.5pc Cv Pf	89	–1	7½%	–	11.3	–
53¼	32½	HK & Shang. HK$2.50	33½	–½	‡Q38c	–	7.6	–
478	393	Joseph (Leo) £1	393	......	15.85	–	5.4	–
150	105	King & Shaxson 20p	106	+1	10.25	–	12.9	–
422	262	Kleinwort Benson Grp	280	+1	16.0	2.5	7.6	6.6
642	316	Kyowa Bank Y50	319	–13	Q14%	♦	0.9	♦
316	222	Lloyds £1	259	+3	†13.3	2.6	6.8	6.1
56	44	Lon. Scot. Bank 10p	45	–1	†2.4	1.9	7.1	8.9
404	192	Midland £1	202	+5	†18.0	2.6	11.9	4.2
£14½	£10⅛	Mitsubishi Bank Y50	£10⅛	......	Q17%	♦	0.3	♦
£12¼	£4½	Mitsubishi Tst & Bk Y50	£4½	–⅛	Q17%	12.4	0.7	12.1
£10¾	£4⅞	Mitsui Taiyo Kobe Y50	£4⅞	–⅛	‡Q16%	6.0	0.6	27.8
904	410	Mitsui Tst & Bk Y50	448	–12	Q17%	♦	0.7	♦
326	251	Nat Aust. Bk. A$1	261	–9	sQ50c	1.6	8.2	7.6
368	227	NatWest £1	262	+13	†16.7	3.3	8.5	4.8
£210	£120	Ottoman Bank	£135	......	Q110%	2.8	8.1	4.4
55	30	Rea Bros. Group	31	–1	0.5	3.2	2.2	15.5
227	119	Royal Bk. Scotland	136	+3	†7.2	3.8	7.1	4.8
795	368	Saitama Bank Y50	383	–11	Q14%	♦	0.7	♦
£12¼	567	Sanwa Bank Y50	567	–35	Q17%	6.7	0.6	26.7
902½	613	Schroders £1	623	......	h12.5	5.9	2.7	8.4
712½	413	Do. £1 N/V	423	......	h12.5	5.9	4.0	5.7
£25¼	£10¾	Sec. Pacific $10	£11½	–½	Q52.52	–	11.6	–
616	251	Standard Chartd. £1	295	+10	35.0	1.4	15.8	(5.5)
£16½	£6⅛	Sumitomo Bank Y50	£6¼	–¼	‡Q16%	7.5	0.4	28.4
£11	£4¾	Sumitomo Tst & Bk Y50	£4¾	–⅛	Q17%	6.9	0.7	21.1
147	114	TSB	125	+½	†5.8	2.5	6.3	8.0
175	126	TSB Bank N'rn Ir£1	127	......	†Q6.7	3.5	5.3	6.3
£11½	£4¼	Tokai Bank Y50	£4¼	–⅛	Q16%	4.1	0.9	32.7
920	484	Toyo Tst & Bk Y50	506	–20	‡Q15.2%	6.9	0.6	24.3
611	499	Union Discount £1	500	......	33.0	–	8.8	–
525	286	Warburg (S.G.)	321	+18	15.0	3.8	6.2	5.6
180	99	Do 6pc Cnv Prf	107	+7	6%	–	7.5	–
279	176	Westpac SA1	177	–5	Q52.5c	1.5	13.4	4.9
420	330	Wintrust 20p	330	–3	†7.8	4.2	3.2	9.1
969	509	Yasuda Tst & Bk. Y50	566	–12	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	40	......	Q18.5%	3.2	21.8	1.9
71	53	Cambridge Grp Ir5p	57	......	Q7½%	15.6	0.6	13.9
95	11	Coral Leasing Ir 10p	12	......	‡Q13%	3.5	8.7	3.0
68	50	Cattle's (Hdgs) 10p	55	–1	†3.58	1.9	8.7	7.9
426	362	Prov. Financial	384	......	†20.5	2.1	7.1	8.9
*232	153	Reflex Invs. Ir5p	160	......	Q51%	7.9	1.4	11.8
225	195	Secure Trust Grp. 1p	198	......	†8.5	2.4	5.8	9.7
210	135	Woodchester Ir20p	150	+5	‡Q1.7%	5.9	1.9	11.8

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	[illegible]	......
Finlay Pkg. 5p	[illegible]	......
Holt (Jos) 25p	[illegible]	......
Carrol (P.J.)	[illegible]	+15
Hall (R. & H.)	165	......
Heiton Hldgs	47	-1
IWG	158	......
United Drug	194	-2

IRISH

Cap. 8½% Ln. 1991	[illegible]	......
9pc Cap Ln. 1996	£95	......
Fix. 13% 97/02	£110	......
Arnotts	[illegible]	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	45
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5½
FNFC	20
Gen Accident	46½
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	14
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen.	27½
Lex Service	28
Lloyds Bank	21
Lucas Inds	22
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	40
Reed Intnl	30
STC	19½
Sears	6½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey Unit Tst Mngrs (1000)F

80 Holdenhurst Rd, Bournemouth 0345 717373

Abtrust Management Ltd (1200)H

Brown Shipley & Co Ltd—Contd.

Brycourt Unit Tst Mgmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

15 St Botolph Street, London EC3A 7JJ 071-247 4542

Burrage Unit Tst Mangmt Ltd (0900)F

117 Fenchurch St, London EC3M 5AL 071-488 7216

CCF Foster Braithwaite UT Mngt (1100)F

1 White Hart Yard, London SE1 1NX 071-407 5966

CCL Unit Trusts Ltd (1400)F

74 Shepherds Bush Green, W12 8QD

CIBC Unit Tst Managers plc (1200)H

CIS Unit Managers Ltd (1000)F

PO Box 105, Manchester M60 0AH 061-837 5060

Cornhill Unit Trust Mngrs Ltd (1000)F

Crown Unit Trust Services Ltd (1200)H

EFM Unit Tst Mngrs Ltd (1400)H

Medlicott Unit Trust Managers Ltd (1200)H

Mayflower Management Co Ltd (1200)F

Medical Investments Ltd (1100)F

National Provident Inv Mgrs Ltd (1400)H

48 Gracechurch St, EC3P 3HH 071-623 4200

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGE

These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE

The price at which units may be bought.

BID PRICE

The price at which units may be sold.

CANCELLATION PRICE

The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME

The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ◊ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ◊ - 1701 to midnight.

HISTORIC PRICING

The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING

The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS

The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

هكذا صدر الأصل

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Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks.

Templeton Unit Trust Managers Ltd (1200)F

Atholl Crescent, Edinburgh EH3 8HA

Thornhill Unit Trust Managers Ltd (1200)F

28 St John's Sq, London EC1M 4AE 071-251 6767

Thornton Unit Managers Ltd (1000)F

33 Cavendish Sq., London W1M 0DH 071-493 7262

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co.

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group Ltd

Scottish Amicable

Scottish Equitable Life Assoc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

هكذا من الاصل

FT MANAGED FUNDS SERVICE

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGER FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Greenspan comment hits dollar

THE DOLLAR weakened on comments by Mr Alan Greenspan, chairman of the Federal Reserve Board. He told a congressional committee that "the Budget summit has crafted what appears to be a credible, enforceable reduction in the budget deficit stretching over a number of years." Last month Mr Greenspan said that interest rates could fall if a credible agreement to cut the deficit was struck.

The policy-making Federal Open Market Committee met this week and signs of easier monetary policy are now expected, but there was no indication of any change yesterday. The Fed added funds to the New York banking system via overnight system repurchase agreements.

Credit conditions were tight, however, with Fed funds trading at 8⅝ per cent. This was well above the assumed target level of 8 per cent and the Fed's move appeared to be the result of technical factors rather than any policy change.

The possibility of lower rates pushed the dollar down to lows of DM1.5400 and Y135.80, with dealers seeing the next technical support levels at DM1.5380 and Y135.50. It rallied slightly in thin trading towards the London close, finishing at DM1.5440 compared with DM1.5550 on Tuesday and at Y136.10 against Y136.90. The dollar also fell to SFr1.2855 from SFr1.2920 and to FFr5.1725 from FFr5.2100. On Bank of England figures the dollar's index declined to 62.2 from 62.5.

Sterling improved against the weaker dollar, but otherwise showed only small mixed changes. Lack of economic news is keeping the pound in fairly narrow trading ranges at present, with no important data due until September UK producer prices next Monday.

Sterling rose 1.15 cents to $1.9000. It also advanced to SFr2.4425 from SFr2.4400, but fell to DM2.9325 from DM2.9375, to FFr9.8275 from FFr9.8400 and was unchanged at Y258.50. The pound's index gained 0.2 to 93.7.

The yen showed little overall change against the background of steadier trading in Japanese equities. Relatively high Tokyo interest rates gave the currency a firm undertone however. The closure of financial markets in Frankfurt for a holiday to celebrate German unity kept the D-Mark quiet, but it gained a little ground within the European Monetary System.

The Spanish peseta remained at the top of the EMS exchange rate mechanism after the Bank of Spain kept its money market intervention rate unchanged. The Bank of France also left its rate unchanged, helping to support the French franc. The weakest member of the system was the Danish krone, despite a forecast from the Economy Ministry in Copenhagen that Denmark's balance of payments deficit will fall this year and in 1991 to around DKr5bn from DKr10.23bn in 1989. Trading was quiet with all EMS currencies remaining well within their agreed limits.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 3	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	132.889	129.130	−2.83	3.80	47
Irish Punt	0.763159	0.766974	0.50	0.36	−7
Belgian Franc	42.1679	42.3839	0.51	0.35	−8
French Franc	6.85684	6.89917	0.62	0.24	−15
German D-Mark	2.04446	2.05814	0.67	0.19	−20
Dutch Guilder	2.30358	2.32070	0.74	0.12	−19
Italian Lira	1529.70	1542.11	0.81	0.05	−23
Danish Krone	7.79845	7.86552	0.86	0.00	−23

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Oct 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8920 - 1.9020	1.8995 - 1.9005	1.08-1.06cpm	6.76	3.14-3.11pm	6.58
Canada	2.1780 - 2.1900	2.1875 - 2.1885	0.53-0.44cpm	2.66	1.41-1.26pm	2.44
Netherlands	3.30 - 3.31½	3.30½ - 3.31½	1⅞-1⅝cpm	6.58	5⅛-5pm	6.12
Belgium	60.20 - 60.60	60.30 - 60.40	34-27cpm	6.06	95-80pm	5.80
Denmark	11.19¾ - 11.24	11.23 - 11.24	5-4orepm	4.81	13-11½pm	4.36
Ireland	1.0920 - 1.0940	1.0925 - 1.0935	0.45-0.40cpm	4.67	1.10-1.00pm	3.84
Germany	2.92¾ - 2.93¾	2.93 - 2.93¾	1⅝-1½pfpm	6.39	4½-4⅜pm	6.05
Portugal	259.65 - 261.15	260.00 - 261.00	14-5cpm	0.44	25-74dis	−0.76
Spain	183.30 - 184.55	183.70 - 184.00	6-4cpm	0.33	6-4cpm	0.11
Italy	2193½ - 2206¼	2198¼ - 2199¼	10-8½lirepm	5.05	25-23pm	4.37
Norway	11.37 - 11.42¾	11.40½ - 11.41½	3⅝-2⅝orepm	3.35	11-9⅞pm	3.64
France	9.81½ - 9.84½	9.82¾ - 9.83¾	4⅛-3⅞cpm	4.88	11¼-10⅞pm	4.50
Sweden	10.80 - 10.85¾	10.83 - 10.84	2½-1⅝orepm	2.22	5½-4½pm	1.85
Japan	258 - 259¾	258 - 259	1⅝-1½ypm	7.25	4⅝-4⅛pm	6.49
Austria	20.60 - 20.66	20.63 - 20.66	11⅞-11gropm	6.65	30¼-28¼pm	5.66
Switzerland	2.43½ - 2.44¾	2.43¾ - 2.44¾	1½-1⅛cpm	7.06	4⅛-4pm	6.65
ECU	1.4175 - 1.4245	1.4230 - 1.4240	0.62-0.59cpm	5.10	1.65-1.60pm	4.57

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.80-5.75cpm. 12 Month 10.12-10.02cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8920 - 1.9020	1.8995 - 1.9005	1.08-1.06cpm	6.76	3.14-3.11pm	6.58
Ireland†	1.7280 - 1.7390	1.7375 - 1.7385	0.36-0.31cpm	2.31	1.17-1.07pm	2.58
Canada	1.1500 - 1.1535	1.1510 - 1.1520	0.43-0.46cdis	−4.64	1.25-1.30dis	−4.43
Netherlands	1.7365 - 1.7510	1.7405 - 1.7415	0.01-0.04cdis	−0.17	0.16-0.20dis	−0.41
Belgium	31.70 - 32.00	31.70 - 31.80	0.50-3.50cdis	−0.76	3.00-10.00dis	−0.82
Denmark	5.91 - 5.93	5.91 - 5.91½	0.90-1.20oredis	−2.13	3.10-3.65dis	−2.28
Germany	1.5400 - 1.5525	1.5435 - 1.5445	0.02-0.04pfdis	−0.23	0.16-0.19dis	−0.45
Portugal	137.00 - 137.70	137.05 - 137.15	70-85cdis	−6.78	225-255dis	−7.00
Spain	96.60 - 97.40	96.75 - 96.85	49-55cdis	−6.45	151-161dis	−6.45
Italy	1155 - 1162½	1157 - 1157½	1.40-2.00liredis	−1.76	6.00-7.20dis	−2.28
Norway	5.99½ - 6.02½	6.00¼ - 6.00¾	1.57-1.92oredis	−3.49	4.30-4.80dis	−3.03
France	5.16¾ - 5.20¾	5.17 - 5.17½	0.80-0.85cdis	−1.91	2.74-2.84dis	−2.16
Sweden	5.69½ - 5.72¼	5.70 - 5.70½	2.11-2.36cdis	−4.70	6.70-7.15dis	−4.86
Japan	135.80 - 136.80	136.05 - 136.15	0.04ydis-0.02ypm	−0.09	0.03-0.06dis	−0.13
Austria	10.87½ - 10.92	10.87½ - 10.88	0.30-0.65grodis	−0.52	1.75-2.75dis	−0.83
Switzerland	1.2810 - 1.2925	1.2850 - 1.2860	0.07-0.03cpm	0.47	0.06-0.01pm	0.11
ECU†	1.3305 - 1.3395	1.3375 - 1.3385	0.21-0.20cpm	1.84	0.70-0.68pm	2.06

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

EXCHANGE CROSS RATES

Oct 3	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	1.018	1.933	2.984	263.0	10.	2.[illegible]				
S Fr.	0.409	0.778	1.201	105.8	4.023	1.[illegible]				
H Fl.	0.302	0.574	0.887	78.14	2.971	0.[illegible]				
Lira	0.455	0.864	1.334	117.6	4.469	1.[illegible]				
C $	0.457	0.868	1.340	118.1	4.492	1.[illegible]				
B Fr.	1.657	3.148	4.860	428.3	16.29	4.[illegible]				

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Longer rates ease

LONGER TERM rates were slightly easier on a quiet London money market yesterday. One-year sterling interbank eased to 14⅝-14¼ per cent from 14⅞-14⅝, but the important three-month rate was little changed at 14⅞-14⅞ against 14⅞-14⅞.

Short sterling futures were firmer on Liffe. December delivery opened lower at 85.64, but hopes of lower US interest rates pushed the contract up to a high of 85.76, before it closed at 85.70 against 85.66 previously.

UK clearing bank base lending rate 15 per cent from October 5, 1989

On the cash market a day-to-day credit shortage of £600m was initially forecast by the Bank of England. This was revised to £750m at noon and to £800m in the afternoon.

Total help of £766m was provided. Before lunch the authorities bought £361m bank bills outright in band 2 at 14⅞ per cent. In the afternoon another £405m bank bills were purchased in band 2 at 14⅞ per cent. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £380m, with Exchequer transactions absorbing £10m, a rise in the note circulation £100m, and bank balances below target £100m.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent and the five to 10-day emergency funding rate at 10¼ per cent when supplying funds to the banking system via securities repurchase tenders. The rates were last changed on April 26. At yesterday's tenders the authorities supplied a total of FFr75.7bn to replace FFr72.6bn leaving the market today as an earlier agreement expires.

In Madrid the Bank of Spain kept its money market rate at 14.65 per cent when supplying 12-day certificates at yesterday's tender.

In Tokyo the unsecured overnight call rate firmed to 7⅞ from 7⅝ per cent after the Bank of Japan provided only Y620bn in loans to banks, against a money market shortage of Y1,760bn. Conditions are expected to improve however now that the financial half-year book squaring is complete, but the Bank of Japan has stated it will not oppose the expected seasonal fall in the call rate.

In Amsterdam the Dutch Central Bank allocated Fl 5.69bn to the money market, by way of seven-day special advances, at an unchanged rate of 8.0 per cent. This replaced a five-day facility of Fl 1.0bn.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (4pm) Treasury Bills and Bonds

Prime rate	10	One month	[illegible]	Three year	8.04
Broker loan rate	9¾	Two month	7.34	Four year	8.25
Fed.funds	8⅝	Three month	7.40	Five year	8.35
Fed.funds at intervention	8⅝	Six month	7.53	Seven year	8.59
		One year	7.57	10-year	8.71
		Two year	7.90	30-year	8.86

Oct 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.10	8.20-8.35	8.25-8.40	8.45-8.60	8.60-8.75	8.00
Paris	9⅞-9⅞	9⅞-10⅛	10⅛-10⅛	10⅛-10⅜	10½-10⅝	9.50
Zurich	6⅞-7⅛	7⅛-7⅝	-	7⅞-8⅛	-	-
Amsterdam	8.10-8.25	8.22-8.29	-	8.40-8.50	-	-
Tokyo	7⅞-7⅞	7⅞-7⅞	-	8⅛-8⅞	-	-
Milan	9⅞-10⅛	10⅛-10⅝	-	11⅛-11⅝	-	-
Brussels	7.40	8⅞-9	-	8⅞-9	-	-
Dublin	10-10⅛	10⅛-10⅝	10⅞-11⅞	10⅝-10⅞	10⅞-11⅛	-

LONDON MONEY RATES

Oct 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	14⅞	14⅞	14⅞	14⅞	14⅝
Interbank Bid	13	14¾	14⅞	14⅞	14⅞	14¼
Sterling CDs	-	-	14⅞	14⅞	14¾	14¼
Local Authority Deps.	14¾	14⅞	14⅞	14⅞	14¾	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14⅞	14⅞	14½	-	-
Company Deposits	-	-	14⅞	14⅞	14⅞	14⅞
Finance House Deposits	-	-	14⅞	14⅞	14⅞	14⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	14⅞	14⅞	-
Dollar CDs	-	-	8.05	8.05	8.05	8.12
SDR Linked Dep. Offer	-	-	9⅛	9⅞	9⅞	9⅞
SDR Linked Dep. Bid	-	-	9	9⅞	9⅞	9⅞
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅜	10⅜
ECU Linked Dep. Bid	-	-	9⅞	10	10¼	10½

Treasury Bills (sell); one-month 14⅞ per cent; three months 14¾ per cent; six months 13⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.2333 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 28, 1990. Agreed rates for period Oct 24, 1990 to Nov 25, 1990, Scheme I: 15.78 p.c., Schemes II & III: 16.21 p.c. Reference rate for period Sept 1, 1990 to Sept 28, 1990, Scheme IV&V: 14.955 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from October 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int
October	1567.0	1579.0	−7.5	1580.0	1564.0	11,076
November	1574.0	1574.0	−17.0	1574.0	1574.0	181
December	1582.0	1578.0	−21.0	1584.5	1577.0	51
March	-	-	-	-	-	0

Estimated volume 7,827 Total Open Interest 11,308

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat. Bk. of Kuwait	15		

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

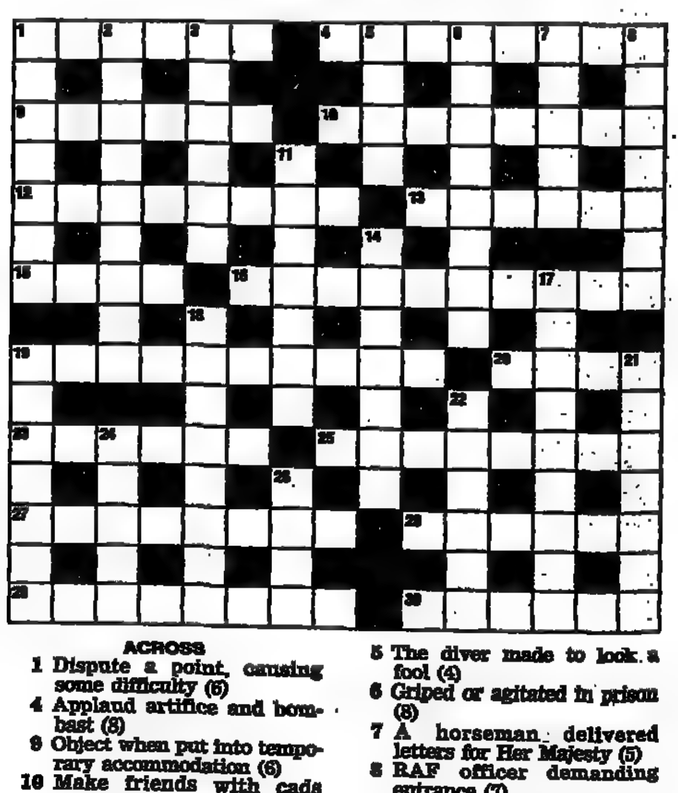
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

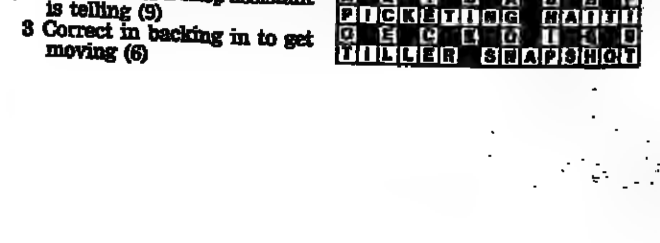
No.7,358 Set by VIXEN



ACROSS
1 Dispute a point, causing some difficulty (6)
4 Applaud artifice and bombast (8)
9 Object when put into temporary accommodation (6)
10 Make friends with cads more (8)
12 Denied assistance, gets ahead (8)
13 "Only the Ash, the bonnie Ash burns..... while it is green" (De La Mare) (6)
15 The story of a Greek character in the City (4)
16 Order the ratings to get into line (10)
19 Sound point of view – to a certain degree (5,5)
20 A little choice dainty with a sugar topping (4)
23 Share parking at the lakeside (6)
25 A few words involving 6 maybe (8)
27 A break in the journey proves to need organising (8)
28 There's endless debate about sports equipment (6)
29 Late in the day the head makes a regular appearance (8)
30 Merchant laying his cards on the table? (6)

DOWN
1 Peculiarly English hairstyle for women (7)
2 The work of a shop-assistant is telling (9)
3 Correct in backing in to get moving (6)
5 The diver made to look a fool (4)
6 Griped or agitated in prison (8)
7 A horseman delivered letters for Her Majesty (5)
8 RAF officer demanding entrance (7)
11 Far from reserved (7)
14 Brings together the right colleagues (7)
17 Chance it perhaps when over fifty. It's quite practical (9)
18 Label put among cut fern (8)
19 "Tripe!" – so stupid an answer (7)
21 Storage for the wardrobe-mistress (7)
22 A good man prevailing in some controversy (6)
24 Gas ring area (5)
26 A bit of honeysuckle is included in such garlands (4)

Solution to Puzzle No.7,357



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WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices October 3

MONTREAL
Closing prices October 3

INDICES

NEW YORK

DOW JONES	Oct. 3	Oct. 2	Oct. 1	Sept. 28	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2489.36	2505.20	2515.84	2452.48	2999.75 (16/7)	2427.48 (27/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.15	89.11	89.05	88.77	93.04 (3/1)	88.44 (24/9)	—	—
Transport	882.77	894.79	873.15	841.35	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	202.46	202.78	205.35	198.57	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2534.65 (2565.35) Low 2470.79 (2487.62)

STANDARD AND POOR'S

	Oct. 3	Oct. 2	Oct. 1	Sept. 28	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	311.40	315.21	314.94	306.05	368.95 (16/7)	300.97 (27/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials (Latest)	367.40	371.08	370.54	360.47	437.37 (16/7)	355.12 (27/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.89	21.44	21.59	20.87	31.87 (3/1)	19.88 (27/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	170.80	172.59	172.22	167.85	201.13 (16/7)	165.36 (27/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	309.25	309.63	308.44	307.72	382.45 (5/1)	305.43 (27/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	351.45	356.39	354.65	344.51	469.60 (16/7)	341.19 (27/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.28	Sep.21	Sep.14	year ago (approx.)
Dow Industrial Div. Yield	4.14	4.03	3.95	3.74

	Sept 26	Sep.19	Sept12	year ago (approx.)
S & P Industrial div. yield	3.49	3.29	3.28	2.76
S & P Indl. P/E ratio	14.55	15.12	15.44	14.35

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Unisys Corp	4,291,800	4	+ ⅛
Bally	2,226,100	3⅝	- ½
Philip Morris	1,936,200	46⅛	+ ⅛
MCA	1,766,200	63⅝	+ 4
Wal-Mart Stores	1,651,200	27⅝	- 1⅛
Gen Electric	1,339,900	54⅛	- 1½
Chicorp	1,336,200	13⅝	- ⅝
Limited Inc	1,319,400	13	- 1⅛
IBM	1,101,100	107⅝	- ⅞
Mobil	1,073,800	61⅞	- ⅛

TRADING ACTIVITY

† Volume Millions	Oct. 3	Oct. 2	Oct. 1
New York	135.490	188.320	202.210
Amex	11.223	16.012	17.193
NASDAQ	(u)	135.806	124.383
Issues Traded	1,961	2,005	1,997
Rises	557	998	1,196
Falls	956	581	436
Unchanged	448	426	368
New Highs	5	10	2
New Lows	99	76	125

CANADA

TORONTO	Oct. 3	Oct. 2	Oct. 1	Sept 28	1990 HIGH	1990 LOW
Metals & Minerals	2866.50	2888.45	2904.67	2860.86	3453.05 (4/1)	2850.80 (23/9)
Composite	3179.50	3191.38	3175.67	3159.37	4009.47 (3/1)	3159.37 (28/9)
MONTREAL Portfolio	1694.96	1699.84	1690.82	1675.12	2060.90 (3/1)	1670.81 (27/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD						
M.S. Capital Intl. (1/1/70)	(u)	446.8	429.8	423.1	571.0 (4/1)	423.1 (28/9)

**Saturday September 29: Taiwan Weighted Price: (c) Korea Comp Ex. 602.88
ø Subject to official recalculation.
Aorb Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 3 October 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	26.1m	1,300	-30	Takeda Chml	14.7m	1,710	+90
Matsushita	20.2m	1,920	-80	Kobe Steel	12.3m	496	-42
IHI	17.1m	610	+10	Nippon Steel	10.1m	425	-30
Toshiba	16.3m	850	+1	M'bishi Elec	10.0m	750	-25
MHI	16.2m	701	-34	Fujitsu	9.7m	1,170	-30

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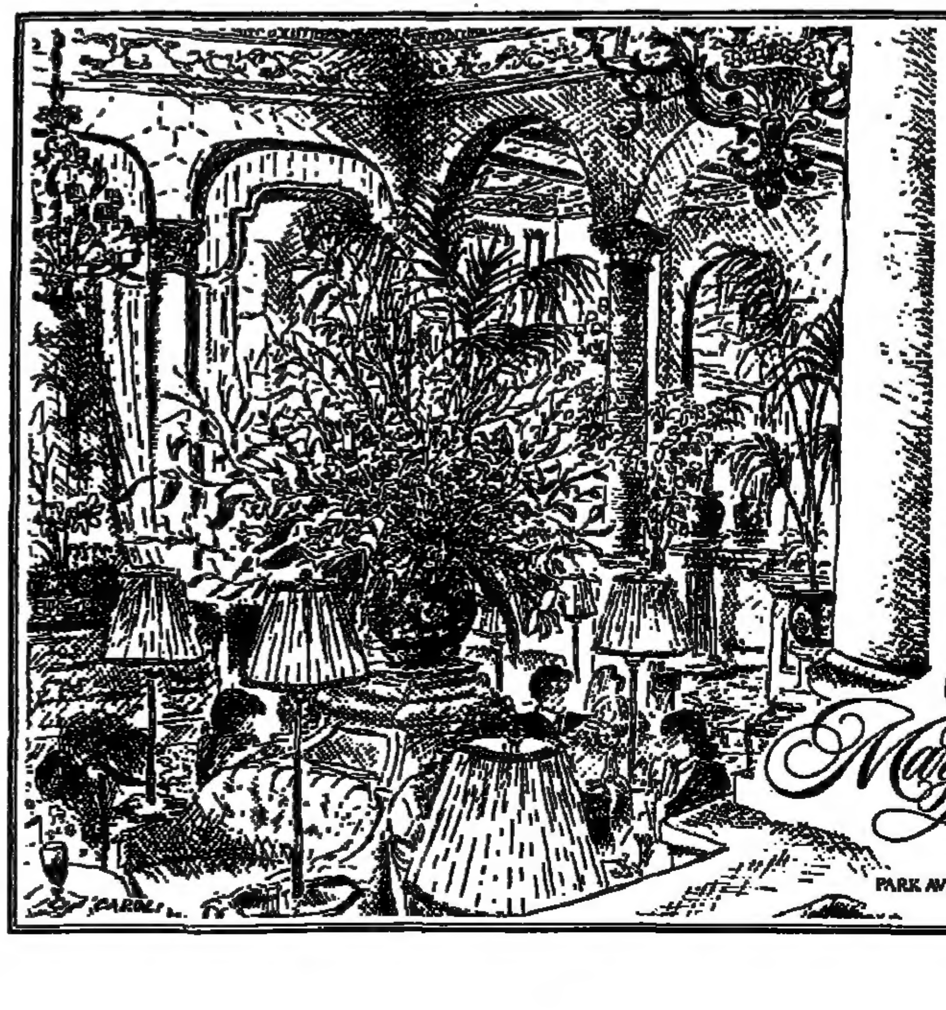
FINANCIAL TIMES



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4pm prices October 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FINANCIAL TIMES

Continued on Page 41

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NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 3

NASDAQ NATIONAL MARKET

3pm prices October 3

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

WORLD STOCK MARKETS

AMERICA

Renewed rise in oil prices puts end to early rally

Wall Street

SURGING OIL prices yesterday afternoon quelled the stock market's mild rally which had come on the expectation of lower interest rates after Mr Alan Greenspan's testimony, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed down 15.84 at 2,489.36 after moving nearly 14 points higher at mid-session, compared with a fall of 10.64 to 2,505.20 on Tuesday. Volume was unexceptional, with 135.5m shares changing hands. Declining issues led those advancing by 954 to 556.

Equities opened the day on an uncertain note, trading in a narrowly mixed range, but started to recover after Mr Alan Greenspan, chairman of the Federal Reserve, described the recent budget pact as "a credible, enforceable reduction in the budget deficit". Mr Greenspan had said earlier that monetary policy would ease if a credible budget package were reached.

But equities turned lower as oil prices started to surge in the afternoon. November crude climbed $3.50 to end the day at $37.32.

The bond market recovered after Mr Greenspan's comments from some early profit-taking, but the long end of the yield curve lost ground in the afternoon, with the Treasury's bell-wether 30-year bond down ¼ for a yield of 8.86 per cent in late trading.

Mr Greenspan's comments had a greater impact on the foreign exchange market, where the dollar dropped to DM1.5400 and Y135.80 before recouping some of its losses to trade at DM1.5425 and Y136.10.

Among blue chips, Philip Morris added $¼ to $48⅛, IBM fell $⅞ to $107⅞, Coca-Cola slipped $⅛ to $41¼ and AT&T lost $⅛ to $31⅛.

Higher oil prices pushed a number of oil issues higher. Texaco was quoted $1 higher at $61⅛, Chevron rose $⅛ to $73⅞, Exxon $⅛ to $49⅞ and Amoco $⅞ to $55⅞.

Similarly, oil service stocks benefited from the recovery in oil prices after losing ground at the beginning of the week, with Schlumberger adding $1⅛ to $61⅛.

Unisys led the New York Stock Exchange's most-active list for a second day, and was quoted unchanged at $3⅞ after plummeting $1⅛ on Tuesday.

There was also heavy trading in MCA yesterday, which jumped $3⅞ to $63⅞ after the company confirmed that it was in talks with Japan's Matsushita about a possible takeover of the US entertainment group.

Wal-Mart, the department store group which has long been a Wall Street favourite, dropped $1⅞ to $27⅞ on reports that Salomon Brothers sees the stock as over-valued.

In the secondary market, the NASDAQ composite was off 4.94 at 351.45 in late trading, continuing Tuesday's decline. With the prospect of a recession still looming, and in the absence of any major economic news, traders have concentrated on the bigger stocks.

Apple Computer slid $2⅞ to $27 after the company said it planned to offer lower prices on its new personal computer models which will force the company's gross margins much lower.

Canada

TORONTO share prices traded in a narrow range to close lower in moderate trading.

The composite index closed down 11.88 to 3,179.50 as declines led advances by 281 to 253. Volume of 20.29m shares valued at C$173.8m was down from Tuesday's 23.84m shares worth C$263.7m.

Gold stocks climbed 1.57 per cent with gold in New York rising US$4.75 to US$394.00. Among gold producers, Placer Dome rose C$⅞ to C$20 and American Barrick gained C$⅞ to C$25⅛.

EUROPE

Bad news from banks threatens bourse rally

THIS week's rally showed signs of fatigue yesterday, as a number of banks produced disquieting news. Frankfurt was closed for Unity Day, *writes Our Markets Staff.*

PARIS closed lower, the CAC 40 index losing 5.46 to 1,567.48 in spite of a late rally in response to the freeing of nine French hostages by Iraq, President Mitterand's visit to Saudi Arabia and news that Iraq was considering freeing all Frenchmen trapped in the Gulf.

Its mood earlier had been soured by further negative response to Peugeot's first half profits, leaving the stock another FFr22 lower at FFr515.

Suez, the investment bank, was the most actively traded stock, 384,150 shares changing hands on an extremely quiet day; bourse turnover was estimated at only FFr1bn compared with some FFr2.4bn on Tuesday. Suez fell FFr10 to FFr277 on the disappointing half-year results from its 51 per cent stake in Société Générale de Belgique.

The commercial banking group, Société Générale, fell FFr8 to FFr383. Dealers thought that it could fall more today, after reporting a 17 per cent fall in first half net late yesterday, and holding out little hope for a major recovery by the year-end.

MILAN reversed early losses to post a marginal gain but volume stayed low. Surprisingly good mutual fund data for September, which showed a net inflow of L175bn, failed to spur the market higher. The Comit index rose 0.82 to 579.50.

A decision by Consob, the stock market watchdog, to lift the August ban on short selling had little impact. Analysts were pleased, however, that Consob planned to publish details about short sales.

Banca Commerciale Italiana lost 2.64 per cent or L130 to L4,800 against the trend after the Ferruzzi group announced on Tuesday that it was cutting its ties with the leading state-controlled bank.

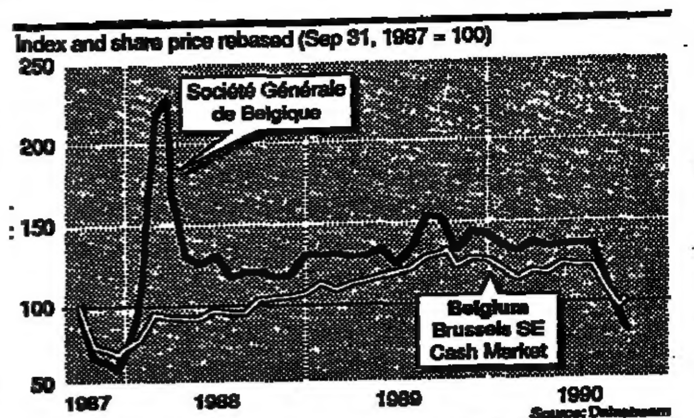
Fiat fell L62 to L6,588. After the market closed the company said it was holding a press conference on Thursday, fanning speculation of an imminent deal with Chrysler of the US.

AMSTERDAM rose initially as investors sought defensive stocks like Unilever, which put on 40 cents to Fl 142.20, but the market fell back later in slow trading. The CBS Tendency index hit a high of 97.6 before easing back to close 0.30 lower at 96.8.

Van Ommeren Ceteco, the storage, trading and transport group, was actively traded as high as Fl 41.80 before closing 40 cents lower at Fl 39.70 on mild talk of Scandinavian interest. Ahold slipped back after rising the previous day on news that it was lowering its takeover defence mechanism, closing 0.50 cents down at Fl 128.50. Rodamco continued to be neglected, falling Fl 1.10 to Fl 56.90.

BRUSSELS saw its gains of the two previous days wiped out by poor results from the flagship holding company Société Generale de Bélgique and the Luxembourg steelmaker Arbed. The cash market index fell 28.52 to 5,134.41.

SocGen dropped BFr110 to BFr1,990 after reporting a slide in first-half net profit on Tuesday and predicted a dive in full-year results. Arbed announced lower first-half earnings yesterday and warned of weaker performance in the second half. It fell BFr200 to BFr2,990.



STOCKHOLM had profits to take, said Mr Jan Dworsky of Barclays de Zoete Wedd, after a rise of 11 per cent on Monday and Tuesday. Last week, it put up the worst performance in the world, with a drop of 14.3 per cent in reaction to the troubles at several finance houses.

The Affärsvärlden general index fell by 27.6, or 2.7 per cent to 981.9 in turnover which moved from a brisk SKr496m to a modest SKr323m.

The forestry group, Stora, fell by more than average, shedding SKr20 or 8.2 per cent to SKr225, but Mr Dworsky said that the movements of a number of shares had been erratic recently due to the lack of liquidity.

There was more substance behind the interest in Ericsson, which fell in early morning trade, but rebounded in the afternoon to close SKr2 lower at SKr216. Later, the telecommunications major announced big contracts in the US, Singapore and Mexico.

OSLO's all-share index fell 5.69 to 540.09 in volume of NKr250m. Just after the close the bank, Kreditkassen, which had closed NKr2.50 lower at NKr72.50, announced an NKr123m net loss for the first eight months of 1990; this surprised analysts who had expected it to continue in profit.

Kreditkassen also said that, while it satisfied current capital adequacy rules, it did not meet new rules aimed at bringing Norwegian banks into line with European Community banks in 1992.

ZURICH also saw weakness in banks, CS Holding bearers easing SFr35 to SFr1830 after Crédit Suisse, the mainstay of the group, reported lower profits for the first nine months of this year. The Crédit Suisse index, meanwhile, shed 3.3 to 503.3.

MADRID retreated from Tuesday's highs, with the general index losing 1.07 to 223.57.

Helsinki struggles to lift its veil of gloom

Enrique Tessieri explains the case for and against foreign equity investment in Finland

TUMBLING share prices in Finland have encouraged stockbrokers, and bank and company presidents to debate the sensitive issue of lifting restrictions on foreign investment.

The Unitas all-share index has been sliding since autumn 1989, when gloomy economic forecasts and rising interest started to depress trading at the Helsinki Stock Exchange.

After peaking this year at 677.3 on January 23, the index fell below 600 in mid-April, below 500 in early-September, and hit a 1990 low of 425.0 on September 26. Yesterday it closed 2.4 higher at 432.8, but cynics commented that Helsinki was, as usual, merely a day behind events.

A Restricting Act more than half a century old continues to prohibit foreigners from investing directly in some key sectors of the national economy. These include forestry, real estate, mining, refining, shipping and securities trading. Foreign ownership of Finnish companies is limited to 40 per cent.

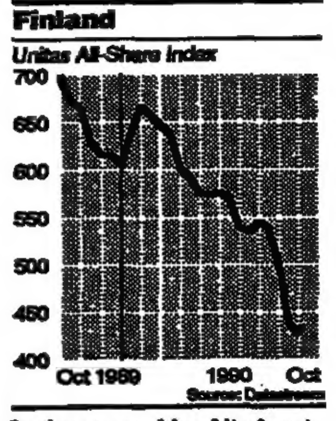
It is now a moot point whether deregulation would do the market much good in the short term. Mr Timo Ronkainen of Unitas, Finland's largest stockbroking house, is pessimistic.

"The mood in the market is so pessimistic that nothing can keep prices up. Things might look a bit better if the performance of Finnish companies had not been so poor," he says wistfully. "We believe that profits after taxes of companies quoted at the Helsinki Stock Exchange will fall between 30 to 40 per cent this year [when compared with 1989]. This is a conservative estimate."

Analysts do agree that the Helsinki Stock Exchange is inflicting unwanted pain on itself. Finnish institutional investors' portfolios are full of stocks; the larger institutions do not want to book heavy losses by selling at low prices, and at the same time they are short of the liquidity to buy more shares, even if the ones they have are 37 per cent cheaper than they were a year ago.

Insecurity over the future is also deepened by the approach of parliamentary elections in March 1991, as well as the results of talks currently under way between the EC and Efta countries over the proposed European Economic Area (EEA). The EC announced this month that it would not grant Finland any concessions over foreign ownership of its forests if it chose to be part of the EEA.

Finland



"Everything is happening at the same time. We have elections next year, the Gulf crisis, deteriorating bilateral trade levels with the USSR, as well as economic problems in Sweden, one of our main trading partners. There is just nothing positive to say about the Finnish economy these days," said Mr Robert Sergelius of Arctos, the Helsinki broker.

Mr Raoul Lardot, an analyst working for the Helsinki-based Selin, believes there has been a consensus within the country that restrictions on foreign investors would be lifted by the end of 1992.

"I believe that the present economic situation and the need to generate foreign capital means that restrictions on foreign investment will be lifted much sooner, within the next 12 months," Mr Lardot says.

The Helsinki Government has taken some concrete steps to bring foreign capital to Finland's capital markets. Pending parliamentary approval, one of the most important of these is the right of foreigners to own restricted shares through mutual funds.

The Bank of Finland also decided, effective last September 1, to allow the sale to foreigners of derivative instruments based on Finnish shares and warrants.

But analysts believe that global uncertainties facing stock markets have dampened the effects that these small but positive steps will have in the short term on the Helsinki market.

SOUTH AFRICA

JOHANNESBURG drifted, and dealers said that the strength of the financial rand was preventing the market from staging any useful rally. The JSE all-gold index closed 2 higher at 1,500 and the all share index eased 7 to 2,679.

ASIA PACIFIC

Volatile trading reflects new mood of uncertainty

Tokyo

VOLATILE TRADING in Tokyo yesterday reflected the market's uncertain mood following its largest-ever single-day rise on Tuesday, *writes Michiyo Nakamoto in Tokyo.*

After a 13 per cent gain on Tuesday, a more sober view prevailed: in spite of peace initiatives, the Gulf situation had not yet changed, while interest rates were still high and were unlikely to reverse that trend. A fall in bond futures prices yesterday confirmed this.

Investors, therefore, were fairly sceptical about the market's ability to sustain its uptrend, and trading was jittery. The Nikkei average rose in early trading, fell significantly in the afternoon and closed with a loss of 49.02 at 22,849.39. The day's high was 23,462.89, breaching the 23,000 level for the first time in six trading days. The low was 22,578.02.

Gains led losses by 629 to 292 with 100 unchanged. Turnover rose from 550m to 600m shares, the Topix index of all listed stocks saw a minimal gain of 1.22 to 1,670.05 and, in London trading, the ISE/Nikkei 50 index was off 19.00 at 1,325.56.

Any worrying news triggered a negative reaction yesterday. In the morning, a temporary breakdown of the stock exchange's computerised trading system seemed to depress spirits. Investors also reacted to reports that war had broken out in the Middle East. Towards the close, the market trimmed its losses when these reports were not confirmed.

"Although we have hit a bottom for now, the market is still unstable," said Mr Mitsuru Maekawa at Jardine Fleming Securities. Many analysts expected the market to take some time to recover fully, with investors increasingly selective about what they buy.

Signs of this selectivity emerged yesterday. Strength was seen in issues considered to be good value or less vulnerable to external factors, while many of those sensitive to interest rates remained weak. Among the former, the high-priced, high-technology blue chips fared well. Sony was up Y170 at Y6,800 and Pioneer rose Y150 to Y4,350. Several large-capital electricals suffered profit-taking, however, with Hitachi down Y30 at Y1,300.

Pharmaceuticals, which were favoured for their relative immunity from interest rate worries, attracted buying. Daiichi Pharmaceutical was selected for its anti-Aids drug, gaining Y170 to Y2,310.

Financials, which have fallen steeply recently, were lower as concerns remained about their earnings outlook. Bank of Tokyo lost Y40 to Y960 and Nomura Securities tumbled Y80 to Y1,560.

Expectations that a land tax under consideration would put pressure on real estate companies sent the sector lower. It was also expected to suffer from further restrictions on the banks' property lending. Mitsui Real Estate declined Y40 to Y1,300.

In Osaka interest in electricals and pharmaceuticals grew, and the OSE average surged 1,193.27 to 25,350.33. Volume was up from Tuesday's 31.9m shares, although was still sluggish at 53.5m. Local companies attracted buying, with Nintendo up Y2,000 at Y21,000.

Roundup

ENTHUSIASM over Tokyo's early bounce proved short-lived, and markets tended to slip back gently yesterday.

BANGKOK was boosted by short term speculation and bucked the trend. The SET index closed up 9.34 at 713.85 but well off its peak. Analysts were not prepared to predict a halt to the three-month, 43 per cent slide from July's index high of 1,143.78.

MANILA also closed higher, carried by the relative quiet on the political front, the staunching of a spate of selling and the strong performance of overseas markets. The Composite index rose 11.89 points to 549.66.

SINGAPORE returned to its downtrend with brokers arguing that resilience in the US might provide impetus, but that the market was likely to remain under pressure through the week. The Straits Times index lost 17.94 to 1,119.27 and volume halved to S$67m from S$135.9m.

HONG KONG declined on moderately active profit taking, as players followed Wall Street's overnight example and gave back a portion of the previous day's steep gains.

The Hang Seng index dropped 42.93 to 2,862.55 after Tuesday's bounce of 114.22. Turnover dipped to HK$864m from HK$1.017bn. Utilities and property suffered the sharpest losses.

AUSTRALIA did likewise. The All Ordinaries index dropped 20.7 to 1,385.4 and turnover fell from A$203m to A$148m.

The Australian Stock Exchange said it was postponing a threat to delist Bond Corporation. The exchange suspended trading in December after bank lenders put the company's Australian brewing unit into receivership.

NEW ZEALAND eased as clients took direction from a weaker Australian market rather than a firm but volatile Tokyo. Light overseas buying met willing selling by local investors and lifted turnover from NZ$9.2m to NZ$17.2m as the Barclays index closed 13.69 points lower at 1,496.45.

JAKARTA eased back 1.84 to 107.78. TAIWAN and SEOUL were closed for public holidays.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 3 1990								TUESDAY OCTOBER 2 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	135.82	−1.5	105.98	116.85	109.03	108.63	−1.7	7.06	137.95	108.30	119.36	111.53	110.47	158.31	125.86	158.98
Austria (19)	192.11	+0.4	149.91	165.28	154.21	154.31	−0.3	1.77	191.29	150.17	165.54	154.65	154.70	295.63	178.57	163.03
Belgium (61)	132.95	+0.1	103.74	114.37	106.72	104.10	−0.9	5.56	132.64	104.28	114.94	107.39	104.99	160.02	126.67	142.18
Canada (120)	128.33	−0.3	100.14	110.40	103.01	107.01	−0.5	3.74	128.78	101.10	111.43	104.10	107.52	153.61	127.51	153.85
Denmark (33)	244.89	+0.7	191.09	210.68	196.58	196.93	+0.1	1.51	243.14	190.88	210.41	196.56	196.76	277.82	234.05	199.09
Finland (26)	104.53	+0.2	81.57	89.93	83.91	80.85	−0.1	3.39	104.30	81.88	90.28	84.32	80.96	152.29	103.43	124.86
France (123)	133.28	+0.5	103.99	114.64	106.96	108.13	−0.3	3.80	132.64	104.13	114.78	107.22	108.40	168.85	124.98	138.13
Germany (91)	111.64	+0.7	87.11	96.06	89.61	89.61	+0.0	2.51	110.85	87.02	95.94	89.61	89.61	144.63	101.38	103.06
Hong Kong (48)	117.03	−1.2	91.32	100.68	93.95	116.60	−1.2	5.68	118.51	93.03	102.55	95.81	118.07	147.49	112.24	118.21
Ireland (17)	148.34	+5.2	115.75	127.62	119.07	120.26	+4.5	4.35	140.97	110.67	121.99	113.96	115.12	198.57	139.04	162.04
Italy (91)	86.20	+0.7	67.27	74.16	69.19	74.50	+0.1	3.27	85.62	67.22	74.09	69.22	74.43	109.26	80.87	93.36
Japan (454)	118.24	+0.2	92.27	101.72	94.93	101.72	−0.4	0.83	118.05	92.68	102.16	95.45	102.16	197.26	106.58	187.44
Malaysia (35)	185.19	−2.1	144.51	159.31	148.65	192.46	−2.1	3.18	189.13	148.49	163.68	152.89	196.56	250.89	182.96	206.88
Mexico (13)	490.88	+2.5	383.04	422.31	394.04	1555.38	+2.3	0.33	478.75	375.85	414.29	387.04	1520.06	561.41	324.53	309.51
Netherland (42)	133.01	+0.6	103.79	114.43	106.77	105.69	+0.0	5.39	132.17	103.76	114.37	106.85	105.72	149.03	127.56	131.51
New Zealand (16)	57.53	−0.8	44.89	49.50	46.18	49.34	−0.8	7.04	57.99	45.53	50.18	46.88	49.75	75.36	55.62	82.62
Norway (28)	244.50	+0.1	190.79	210.35	196.27	199.26	−0.4	1.56	244.38	191.84	211.46	197.55	200.06	276.79	202.34	185.22
Singapore (25)	150.96	−1.7	117.79	129.87	121.17	122.47	−1.7	3.44	153.53	120.53	132.86	124.12	124.56	209.24	147.24	164.93
South Africa (60)	163.64	+1.7	127.69	140.78	131.35	136.26	−0.2	4.26	160.85	126.28	139.19	130.03	136.54	251.39	160.85	158.10
Spain (42)	138.97	+0.4	108.44	119.56	111.55	101.91	−0.3	5.41	138.45	108.69	119.82	111.93	102.21	182.25	128.54	167.33
Sweden (27)	177.79	−1.6	138.74	152.96	142.72	150.09	−2.1	2.70	180.66	141.83	156.34	146.06	153.38	234.93	158.07	182.97
Switzerland (65)	90.60	+0.0	70.70	77.95	72.74	72.21	−0.5	2.94	90.58	71.11	78.39	73.24	72.55	109.77	85.00	91.33
United Kingdom (300)	157.75	+1.9	123.09	135.70	126.62	123.09	+1.3	5.65	154.77	121.50	133.92	125.11	121.50	176.18	139.87	152.54
USA (533)	125.56	−1.3	97.98	108.03	100.79	125.56	−1.3	3.91	127.16	99.83	110.05	102.81	127.16	148.95	121.30	145.07
Europe (965)	133.13	+1.1	103.88	114.53	106.87	105.41	+0.4	4.42	131.70	103.39	113.97	106.47	104.95	157.65	124.91	131.71
Nordic (114)	183.83	−0.3	143.45	158.16	147.57	145.47	−0.9	2.06	184.47	144.82	159.64	149.13	146.80	223.29	172.38	168.30
Pacific Basin (656)	118.69	+0.0	92.61	102.11	95.27	102.27	−0.5	1.27	118.65	93.15	102.68	95.93	102.80	192.75	107.82	183.70
Euro−Pacific (1621)	124.90	+0.5	97.46	107.44	100.25	104.33	−0.1	2.64	124.29	97.58	107.55	100.48	104.44	174.18	116.03	163.02
North America (653)	125.64	−1.2	98.04	108.10	100.87	124.36	−1.2	3.90	127.17	99.84	110.06	102.83	125.89	148.43	121.59	145.46
Europe Ex. UK (665)	117.61	+0.5	91.77	101.26	94.43	94.80	−0.2	3.53	117.04	91.88	101.30	94.64	94.97	145.82	109.94	118.11
Pacific Ex. Japan (202)	123.19	−1.4	96.13	106.00	98.90	105.67	−1.5	6.21	125.00	98.13	108.18	101.06	107.29	146.72	121.14	138.74
World Ex. US (1814)	125.60	+0.5	98.01	108.07	100.83	105.12	−0.1	2.69	125.01	98.14	108.19	101.07	105.24	173.77	117.12	162.74
World Ex. UK (2047)	121.36	−0.4	94.70	104.41	97.43	110.30	−0.7	2.79	121.83	95.65	105.44	98.51	111.13	162.00	115.37	155.89
World Ex. So. Af. (2287)	124.38	−0.1	97.04	106.99	99.83	111.40	−0.5	3.10	124.54	97.77	107.78	100.69	111.98	161.84	118.04	155.32
World Ex. Japan (1893)	129.13	−0.3	100.76	111.10	103.67	116.89	−0.6	4.20	129.48	101.65	112.06	104.69	117.54	151.59	124.31	140.33
The World Index (2347)	124.59	−0.1	97.22	107.19	100.02	111.57	−0.5	3.11	124.76	97.94	107.97	100.87	112.15	162.05	118.33	155.34

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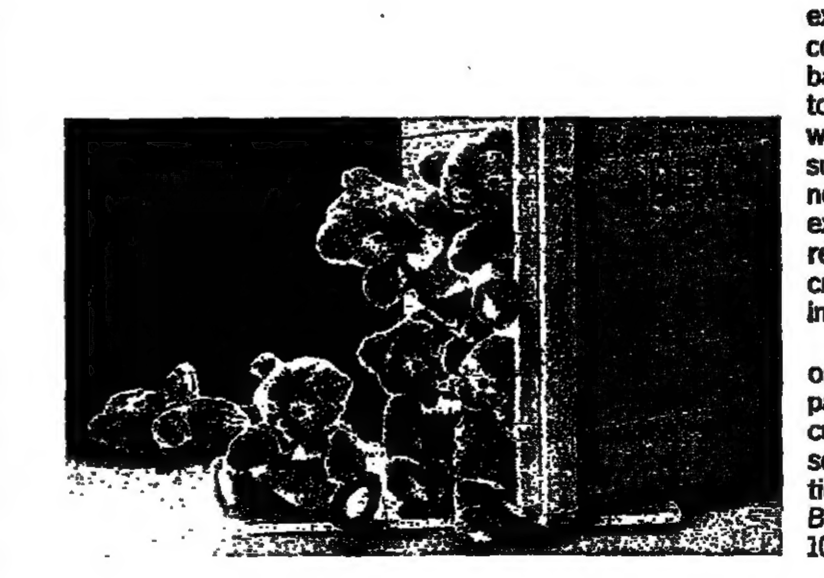
German market closed October 3.
Constituent changes 3/10/90: Name changes: Diesel Kiki to Zexel Corp.,Kashiyma to Onward Kashiyma and Sanraku to Mercian Corp.(all Japan).

To gain a foothold in difficult foreign markets, "buy-back" arrangements are frequently the only avenue open to exporters of plant and equipment. So before winning the contract you must first commit yourself to future product purchases – only thus enabling the plant to be financed.

In challenging export markets, suppliers often become buyers.



BHF-BANK assists you here with its extensive experience in everything from consulting, organizing and financing buy-back deals, for instance, to putting you in touch with buyers. Through credit lines with foreign banks if the financing is to be supplied along with the exports. Through non-recourse financing when you, the exporter, wish to rule out the credit, currency and interest-rate risks. Through cross-border leasing, third-country financing and foreign guarantees.

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